



a n n u a l r e p o r t



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PRESIDENT'S LETTER



Dear AMRRP Members:

2010 was indeed a challenging year for municipal risk pools that have grown and flourished based on their ability to provide an affordable alternative to the pricing fluctuations of the commercial insurance industry. The country's economic downturn resulted in tighter-than-ever municipal budgets, and the continuation of the soft insurance market made commercial carriers all the more aggressive in their "we promise you the world" sales pitches to city and town councils. Fortunately, the AMRRP's long-term pricing stability, the quality of its insurance program and its unwavering commitment to service resulted in a level of Member loyalty that once again made Arizona a very tough market for our commercial competitors.

Throughout the year, many of our Members were courted relentlessly by large national property/casualty carriers with promises of bargain-basement pricing and five-star service. Fortunately, our Members understood that cut-rate premiums and a top-quality insurance program just don't go hand-in-hand. Never before has the saying "you get what you pay for" been so true. Cheap premiums can only be subsidized by cookie-cutter claim service and cut-rate loss control, especially from profit-driven companies that are focused more on paying stockholders than pleasing customers. Moreover, those insurers that are eager to lure new customers with discount premiums today are usually the first to raise rates or abandon Arizona's municipalities when the property/casualty market once again hardens.

In spite of the stepped-up marketing tactics used by the AMRRP's competitors to target Arizona municipalities, I'm extremely pleased that our Pool was once again able to retain 100 percent of its property/casualty Members during 2010 in addition to adding the newly incorporated Town of Tusayan which joined the AMRRP for its property/casualty coverage in the spring of last year. The AMRRP's property/casualty line is now 73 Members strong!

In the workers' compensation coverage line, 2010 once again saw SCF Arizona aggressively targeting those AMRRP Members with the most favorable loss history. In spite of SCF's marketing push however, our Pool not only retained 100 percent of its workers' compensation Members in 2010, we were able to add three AMRRP property/casualty Members – the Cities of Benson and El Mirage and the Town of Snowflake – to the Pool's workers' compensation coverage line. While it's likely our competitive rates were a key consideration for those Members, I believe our superior claim and loss control services continue to enhance our ability to compete against SCF Arizona and a number of commercial carriers also courting new work comp customers.

From a financial perspective, the AMRRP remains extremely strong in spite of the nationwide economic downturn and the trickle-down effect it's had on our state. Although our net written premiums were down by just over \$1 million in 2010, much of that change was due to reduced municipal budgets and cutbacks in municipal operations, both of which translated into reduced exposure and reduced premium revenue. However, in spite of reduced underwriting income, the Pool's net assets grew by over \$2.7 million during 2010.

Finally, from the standpoint of our Members' commitment to effective loss control and proactive risk management, the AMRRP's 2010 combined loss ratio for its property/casualty and workers' compensation coverage lines was 79.8 percent, meaning that for every dollar of net premium we received, our claim payouts totaled just under 80 cents – a result that would be the envy of most of our commercial competitors!

Once again in 2010, the AMRRP's Members have demonstrated the commitment and the loyalty that have made our Pool Arizona's largest insurer of cities and towns for the past 23 years. With continued support from each of your communities, that success will continue throughout 2011 and beyond.

Sincerely,

A handwritten signature in black ink that reads "Rudy Rodriguez". The signature is fluid and cursive, with the first name being more prominent.

Rudy Rodriguez
President, AMRRP Board of Trustees

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ON THE COVER

The Town of Fountain Hills Town Hall is featured along with the centerpiece fountain and some of the pieces of public artwork on display throughout the Town's downtown and public buildings.

INTRODUCTION

As the largest insurer of Arizona municipalities, the Arizona Municipal Risk Retention Pool (AMRRP) provides a specialized assortment of programs, products and services designed to address the wide range of varied insurance requirements of Arizona's small and medium-sized cities and towns. The Town of Fountain Hills has been an AMRRP Member since 1990 and an example of the municipalities served by the Pool. Wally Hudson, who was on the Fountain Hills Town Council when the community joined AMRRP, served as President of the AMRRP Board of Trustees from 1991 to 2001 and then served another two years as a Member of the Board.

THE TOWN OF FOUNTAIN HILLS

Mayor Jay Schlum describes Fountain Hills as a small town, which seems to contradict its status as one of Arizona's fastest growing municipalities. However, he is not talking about size in square miles or population; he is talking about the lifestyle. "It is not a place where you would come to be anonymous," he explains. "If you're a teacher, you probably live out here, and you're going to run into the parents or the kids at Safeway. Or church. It's pretty vested out here. You're not a bystander. You're a participant out here."

"That's for sure," says Town Council Member Ginny Dickey, who recalls becoming immersed as a participant in community affairs shortly after moving to Fountain Hills from New York. "There was a desire to get people to participate. I was here only a year when they had the first town hall. We've probably had four or five more of them since, and I've been to every one of them. Right off the bat, they're asking 'What is your dream?' 'Oh, if only we had a recreation center. If only we had a place teens could go.' Over the years, it has happened. Half the things that exist now were dreams back then. There have always been activities that have been family-oriented. I would say it was largely through volunteers combining government and businesses who made it happen. People who are involved and care about each other."

Fountain Hills is a master planned community established in 1970 by McCulloch Properties, now MCO Properties, Inc. The community was designed by Charles Wood, Jr., who also designed Disneyland in southern California. Before 1970, the area was part of one of the largest land and cattle holdings in Arizona. Fountain Hills was incorporated in 1989 and is now home to an estimated 25,500 residents.

Fountain Hills gets its name from its centerpiece fountain in the downtown area. The fountain, one of the world's tallest man-made fountains, sprays water for about 15 minutes every hour at the top of the hour. The plume rises from a concrete water lily sculpture in the center of a large man-made lake. It serves as a focal point for the community and attracts thousands of visitors each year.

Located in the northeastern portion of Maricopa County, Fountain Hills is surrounded by the McDowell Mountains and Scottsdale on the west, the Fort McDowell Yavapai Nation on the east, the Salt River Pima Maricopa Indian Community on the south and the McDowell Mountain Regional Park on the north.

"The location is one of the things that's great about Fountain Hills," says Schlum. "We're a gateway to the Mogollon Rim. Beyond here you've got the Verde River, Saguaro Lake, Four Peaks and the Rim. A lot of people mention they come out Shea Boulevard from Scottsdale and they get just over the hill and they look at that vista – the fountain, the Verde River Valley and the Four Peaks beyond it – and how beautiful it is. Fortunately, that's not going to change in the near future being that we are the only private property within this view."

"I think the early councils and early leaders had the foresight to protect a lot of what we enjoy today," says Dickey. "There has been a lot of effort to keep things in a natural state. We'll often see coyotes and javelinas. There's a lot of wildlife out here. We had mountain lions in our backyard – a young one and mother."

The reason Schlum is confident the view is not going to change is that the era of growth and expansion is coming to an end for Fountain Hills. "We only have two square miles that is not yet developed. It is somewhat planned with about 1,300 homes to be built in one undeveloped area. Then there are about 200 homes in another area, and that's it."

As a result, Fountain Hills recently went through the development of a Downtown Visioning Plan. "It was a very collaborative process the Town entered into and funded jointly with the Chamber of Commerce," says Schlum. "We hired Vernon Swaback Associates of Scottsdale. They did a great job helping us to develop a flexible plan to introduce to developers and others to have them buy onto to it and feel empowered by it and know that their town council and political elements of the community are in favor of the development."

"Downtown is what it is and has been what it is for many years," Schlum continues. "We wanted to see what we could do to affect it being developed ultimately. Once we're built out there might be another 20 percent more people, but that's not significant enough to fill up 60 percent more of the space available in downtown. So, one of the things they have helped us understand is that the scope of our downtown is far too vast. It was planned for 75,000 to 90,000 people, and we'll top out at 36,000. The need is for less than half what our downtown was planned for. So, we are going to have to embrace having more mixed use downtown, which would help downtown by having more bodies by having more residential downtown. They helped us realize we're not going to develop all the commercial property downtown because there is just too much."

Dickey adds, "When it comes to wanting to develop the downtown, I think that we're all pretty much in agreement that we certainly don't want to stand in anybody's way. We've been walking a line for the whole time we've existed between encouraging business and vitality and maintaining the beauty and sort of the terrain that our residents appreciate. I think we've done that pretty well."

"Having a more or less outsider come and help us see who we were was a tremendous benefit," says Schlum. "Verne Swaback brought the wisdom that you first have to be a great place to live. Any development downtown needs to be in harmony with what our community wants, not necessarily what visitors want. The fact we have the fountain and the lake right in our downtown is very unique. There are only a few places with such a vast park space and beautiful space right in your downtown. So we came up with a way to tie together the downtown with the lake and the park area-potentially a little development down by the lake featuring a public/private partnership when the economy turns around."

Fountain Hills has not been immune to the hard economic times being experienced by Arizona cities and towns. Richard Davis, who became Town Manager in 2008, gave his perspective of the situation.

"I've been in municipal management since 1996," says Davis. "I've known pretty much good times, economically, my whole career. So this is my first opportunity to experience what a not-so-good economy feels like in a municipal setting. My perspective has been that Fountain Hills is a wonderful place to be, but there has been a lot of struggle also. We have tried to redefine and restructure town government to fit a new

FOUNTAIN HILLS HIGHLIGHTS

"The location is one of the things that's great about Fountain Hills," says Mayor Jay Schlum. "We're a gateway to the Mogollon Rim. Beyond here you've got the Verde River, Saguaro Lake, Four Peaks and the Rim. A lot of people mention they come out Shea Boulevard from Scottsdale and they get just over the hill and they look at that vista – the fountain, the Verde River Valley and the Four Peaks beyond it – and how beautiful it is."

decade and a new standard of 'normal' because we don't anticipate that what happened in the past will duplicate itself in the future. We have lots of good things we believe that are very optimistic about what is going to occur in the future, but those things will be different than what has occurred in the past. So we have had to sort of restructure and retool to kind of face that future. It has been difficult for all parties concerned to have to go through something like that. Sometimes, I feel like I'm very grateful to be here in this community, but I'd like to be arriving in July 2010 having all that change accomplished.

"But with that change came some great experiences for all of us, especially watching elected people and volunteers step up like never before," Davis continues. "Actually, they are kind of like the bond market and the equities. As one goes down the other goes up. As our revenue went down, citizen volunteerism was at an all-time high. Our volunteer coordinator is as busy as I have ever seen her. I recently addressed a group of volunteers just before Christmas. I was impressed with the absolute selflessness of these individuals and the strong correlation between people like this and their happiness level in the community. Especially during times like this, it is easy to not do anything and sit around and think about your problems. And then there are your happy citizens, which are the ones actively engaged in doing something good."

Davis says he thinks being an active volunteer forges a connection with the community. "Our 'Take Pride Day' is a great thing not just because of the work that gets accomplished, but because of the connection it forges between citizens and their community. It makes you a

lot more connected to your community. I don't know how many times I go down Avenue of the Fountains, and I painted some of those retaining walls over there. One Saturday a couple of years ago, my wife and I went down the Avenue, and we painted retaining walls around some of the infrastructure in the Avenue median. My wife and I will drive down there now and say, 'That's a fine looking wall. Isn't it? That's a great paint job.'

"A few years back, we found out that a very, very important program to about 10 or 12 people called the Special Transportation Program was being cut by Maricopa County for obvious fiscal reasons," Davis continues. "The solution came in the form of a program called 'Give A Lift,' which uses volunteers to take the elderly, the disadvantaged and the handicapped to appointments that they need to go to. So, we pair a driver up with someone who needs a ride. The vast majority of our citizens who fit those categories just need someone to take them to the doctor every once in a while or to get some groceries. They're either not able to drive, don't have a license or they are on medications that don't allow them to drive. It's sometimes a Catch 22. I need to go get my medications, but I can't drive because of the medications. Better than giving them the mobility or providing a ride, there have been relationships that have been forged. Once again, it is more than the ride provided or the retaining wall being painted, it is the relationship. It is the community building."

As Schlum says Fountain Hills is not a place where a person can remain anonymous.

FOUNTAIN HILLS HIGHLIGHTS

"I think the early councils and early leaders had the foresight to protect a lot of what we enjoy today," says Town Council Member Ginny Dickey. "There has been a lot of effort to keep things in a natural state. We'll often see coyotes and javelinas. There's a lot of wildlife out here. We had mountain lions in our backyard – a young one and mother."

OVERVIEW

AMRRP was established in 1987 as a not-for-profit organization in response to the inability of smaller Arizona cities and towns to obtain adequate insurance coverage. In some cases, municipalities were unable to obtain coverage because insurance companies were abandoning the market.

To address this situation, the League of Arizona Cities and Towns pushed for legislation that would allow public agencies to pool insurance coverages. The legislation was approved in 1986, and the League started work on incorporation papers for what would become the AMRRP and on formation of a Board of Trustees to oversee the Pool. AMRRP incorporation papers were filed in June 1987.

Initial AMRRP products and services included risk management, loss control, underwriting, claims management and a comprehensive package of auto, general liability and property coverages. Workers' compensation and employers' liability coverages were added on July 1, 2003, when the AMRRP merged with the Arizona Municipal Workers' Compensation Pool (AMWCP). The AMWCP had been formed in 1997 to provide Arizona municipalities with statutory workers' compensation and employers' liability coverage.

Many elements of the Arizona Municipal Risk Retention Pool (AMRRP) package of insurance coverages and loss control programs are not available from any other source. The Pool has the financial stability, Member relationships, underwriting and strategic focus to continue a standard of risk-management excellence Members have come to expect.

ADMINISTRATION & OPERATIONS

Board of Trustees

A nine-member Board of Trustees meets six times each year to oversee AMRRP operations. Trustees are representatives of Member municipalities and are elected at the Annual Membership Meeting. The Board addresses topics such as Member services; reinsurance; claim, underwriting and loss-control issues; finance and investment issues; and political or legislative issues that may affect the Pool and its membership. Regular sessions of Board meetings are open to representatives of any AMRRP Member or guests from the public at large. Members are invited to attend and participate in the Annual Membership Meeting.

The Board of Trustees has set up committees to assist in its endeavors. The Loss Control Committee reviews loss trends and develops loss control programs for reducing claims and controlling premium costs. The Finance Committee assists the Board in monitoring the Pool's investments in compliance with its investment policy.

The Board of Trustees retains legal counsel to monitor and advise about any legal, political or legislative issues that could affect the AMRRP and its Members. The administrator and the Executive Director of the League of Arizona Cities and Towns also serve as advisors to the Board.

The Pool undergoes independent annual financial audits as well as periodic examinations by the Arizona Department of Insurance along with regular reinsurance and independent claim audits. Results of the audits and actuarial reports are available to AMRRP Members.

AMRRP'S MISSION

To reduce the cost of risk, provide a stable risk-management program and offer specifically designed coverage that addresses the needs of Arizona cities and towns.

Administrator

Southwest Risk Services, the AMRRP's administrator, is a division of Berkley Risk Administrators Company, LLC, and a member of the W. R. Berkley Company family of companies. Southwest Risk Services performs all of the Pool's administrative functions including underwriting and program management services; loss control services; claims management; regulatory relations and compliance; and maintenance of records, financial data and other information necessary for the Board to meet its fiduciary responsibilities to the AMRRP's Members.

A recognized industry leader in specialty insurance programs, Southwest Risk Services/Berkley Risk Administrators is the administrator of alternative risk financing programs for several self insurance pools and/or risk retention groups in Arizona and in other parts of the country.

The Southwest Risk Services claims staff of highly qualified and experienced professionals is trained in all aspects of handling claims and oversees first- and third-party loss investigations, as well as evaluation and resolution of the Pool's property, liability and workers' compensation claims.

Member Services

Member services include the following:

- Insurance products tailored for municipal risk exposures, including employment liability coverage (with limited back-wage coverage); expanded service animal coverage; land use liability coverage; limited defense coverage for declaratory and injunctive relief actions; and limited pollution coverage
- Via internet availability of Customer e-Tools, secure access to workers' compensation and property/liability claim information and loss runs
- State-of-the-art electronic coverage renewal
- Innovative loss control and safety programs geared toward individual municipalities' risk exposures
- Customized safety training for individual Members, including education on workers' compensation and liability-related issues
- Easy access to historical loss data and analysis of claim trends
- Customer-oriented claim service by insurance industry experts specializing in municipal exposures including police liability; fire liability; street and road design; land use liability; employment liability; and politically sensitive or media-focused claims
- Regional and statewide seminars and workshops on current claim issues and trends effecting Arizona municipalities
- Placement of ancillary lines of coverage, including special events coverage, when necessary
- A continuously updated, user-friendly Website with extensive claims and loss control resources
- Quarterly newsletters and periodic safety bulletins to keep Members current on legal, medical and safety-related issues
- Personal Assistance Lifeline (PAL)
- Land Use Assistance Lifeline (LUAL)
- Equal Employment Opportunity Commission/Arizona Civil Rights Division (EEOC/ACRD) Position Statement Program

AMRRP'S VISION

To provide a continuing proactive approach to meet the following objectives:

- Eliminate fluctuations in budgeting by providing stable risk transfer system
- Provide risk management, loss control, and safety programs that educate Members on how to avoid and reduce risk
- Control the cost of losses through effective claims management and proactive litigation management
- Serve as an information source on risk management issues for Members

- Public Safety Assistance Program (PSAP)
- Property/liability and workers' compensation safety incentive awards to reward Members for exemplary loss control efforts
- Extensive, free library of print and video resources on safety, legal and insurance-related issues

Coverages

The coverage that the AMRRP offers has developed into a superior insurance product, and because of the Pool's low overhead and its status as a not-for-profit organization, the AMRRP has kept property and liability premiums extremely competitive when compared with similar coverage in the commercial insurance market.

Auto

Standard auto coverage provides Members with comprehensive, collision, medical payments and liability protection. Up to \$5,000 of medpay coverage is also available. Liability limits of \$2,000,000 per accident are provided, with various deductible options offered on all first-party auto coverages.

In conformance with Arizona law, personal auto coverage is primary when a Member's employee is involved in an accident while using a personal vehicle to conduct municipal business. If the employee has no collision coverage or if damages are in excess of the primary coverage limits, the AMRRP auto policy provides coverage for both the employee and the Member. The standard auto policy also includes physical damage coverage for comprehensive and collision claims on rented vehicles used for purposes of conducting municipal business.

Several options are offered for the purchase of Uninsured and Underinsured Motorists (UM/UIM) coverage. Members can select limits of \$30,000, \$50,000, \$100,000, \$300,000, \$500,000, \$1,000,000 or \$2,000,000, or they can elect not to have any UM/UIM coverage.

General Liability

A comprehensive package of general liability coverages is available, providing Members with protection tailored to respond to exposures such as public officials' liability; law enforcement liability; employer's liability (including limited back wage coverage); limited pollution and organic pathogen coverage; and limited defense of declaratory and injunctive relief claims. Basic general liability insurance protection is also provided for more standard exposures, such as premises liability, personal injury liability and products and completed operations liability. Specialized coverage is available for skateboard parks and other unique municipal exposures.

Additionally, the Pool can help AMRRP Members obtain special event coverage and other unique coverages through outside insurers for exposures such as airport liability and extended pollution liability.

Flexible general liability deductible programs are available for Members willing to assume more risk in return for a premium reduction. The AMRRP offers a large deductible option, with deductible amounts up to \$250,000 for cities and towns that choose to retain more of their own liability exposures in order to control premiums.

The AMRRP's land use liability coverage is optional for Members with land use exposures. As a coverage prerequisite, Members choosing this unique line of coverage agree to include mandatory mediation requirements in all new development agreements. An optional "menu" of contract provisions that can be included in development agreements between municipalities and developers is provided.

These underwriting provisions offer those Members with significant land-use liability exposures the tools to prevent or mitigate land-use litigation through a mediation process.

AMRRP's proactive, common-sense risk management approach to land-use liability allows the AMRRP to continue to secure reinsurance support and to continue to provide Pool Members with \$2,000,000 of coverage for land-use liability claims.

Property

The AMRRP offers a full spectrum of property insurance, including coverage for real and personal property, inland marine exposures, employee dishonesty and fine art.

The AMRRP property form has been customized to afford expanded coverage for service animals such as police dogs or mounted patrol animals that are killed "in the line of duty," or that have to be destroyed due to "duty-related" incidents. Up to \$2,500 of optional medical or surgical coverage per animal, per year is available through the AMRRP.

Workers' Compensation

The AMRRP workers' compensation program provides Members the means to control their premiums. Workers' compensation premiums are based on the composition of a Member's work force and the Member's experience modifiers (E-Mods), which reflect the previous three-year loss history. The AMRRP offers Members optional workers' compensation claim and aggregate deductibles. The option to select deductibles in the workers' compensation line of coverage provides Members with an additional means by which to control workers' compensation premiums.

2010 Underwriting Results

For more than 23 years, the AMRRP has shown it is the only Arizona insurer dedicated exclusively to helping the state's municipalities achieve long-term risk management success and pricing stability. That commitment led to another successful year in 2010.

AMRRP Members understood and appreciated the Pool's long-term service and underwriting philosophy throughout 2010, a year when the AMRRP was once again able to retain 100 percent of its property/casualty Members in spite of aggressive marketing from several large commercial insurers. In addition, the Pool's property/casualty membership increased in the spring of 2010 when the newly incorporated Town of Tusayan joined the AMRRP for its property/casualty coverage.

Despite aggressive competition in the workers' compensation coverage line, not only was AMRRP able to retain 100 percent of its workers' compensation Members in 2010, the Pool was able to attract three AMRRP property/casualty Members – the City of Benson, the City of El Mirage and the Town of Snowflake – into the Pool's workers' compensation coverage line.

As of the end of 2010, AMRRP Members included 74 Arizona municipalities plus the League of Arizona Cities and Towns. Of those 74 Members, 64 obtained both their property/casualty and workers' compensation coverage from AMRRP. Nine of those members obtained only their property/casualty coverage from AMRRP. Two of those members obtained only their workers' compensation from AMRRP.

AMRRP's combined net written premiums decreased slightly, slipping from \$21,584,000 in 2009 to \$20,520,000 in 2010. The decrease was due, in large part, to cuts in municipal budgets which had a corresponding affect on the premiums AMRRP charges to insure its property/casualty exposures. The decrease was due to a lesser extent to a few AMRRP property/casualty Members taking larger deductibles. Property/casualty net written premium declined from \$13,149,000 in 2009 to \$12,024,000 in 2010. Property/casualty premiums are partially linked to municipal budgets, which generally meant that when a municipality worked to reduce spending, the reductions had a corresponding effect on coverages and premiums. In workers' compensation, net written premiums rose slightly, going from \$8,435,000 in 2009 to \$8,497,000 in 2010. The slight increase was due to the addition of workers' compensation premiums from the coverages extended to Benson, El Mirage and Snowflake.

In spite of a reduction in net underwriting income, AMRRP Member surplus increased from \$30,671,000 at the end of 2009 to \$33,393,000 at the end of 2010. This was due, in part, to favorable investment results and due to a reduction in the pool's combined net incurred loss and loss adjustment expense total, which went from \$14,391,000 in 2009 to \$13,861,000 in 2010. The increase in member surplus was even after the AMRRP Board declared a \$2.8 million dividend for property/casualty members during 2010.

RISK MANAGEMENT/LOSS CONTROL

Quality risk management programs pay dividends by eliminating or reducing losses for Members. Working with the AMRRP's Loss Control Committee and the administrator's experienced loss control professionals, AMRRP Members have crafted programs to identify, reduce and eliminate risk exposures. Such programs can significantly improve the Pool's bottom line, and all Members benefit, as premium costs are controlled and the Pool's long-term viability is sustained.

Safety Committees

An example is the formation of safety committees by AMRRP Members. An effective safety committee can be a major asset in loss control activities for a municipality. The committee acts as a sounding board on safety issues and makes recommendations to management, which has the ultimate responsibility in the municipality's operations.

The benefits a safety committee can provide include:

- A safer working environment
- A knowledgeable work force
- A reduction in insurance claims, which translates into a reduction in insurance costs
- More cost-effective operations
- Compliance with OSHA requirements (and reduction or elimination of OSHA fines)

Typical activities for AMRRP Members' safety committees include:

- Creating and monitoring safety training programs
- Addressing deficiencies found during OSHA audits
- Establishing cell phone policies that require municipal employees to use hands-free devices when using municipal automobiles
- Reviewing emergency plans and evacuation plans for public facilities
- Instituting fleet safety programs

Loss Control Services

The AMRRP Board of Trustees recognizes the value of programs like safety committees, which identify, reduce and eliminate risk exposures and encourage Member initiative by providing an aggressive approach toward education and training.

Loss Control Committee

The 12-member Loss Control Committee consists of elected officials and administrative employees from a variety of disciplines, including finance, human resources, risk management, police and fire departments, legal and public works. Member municipalities from all parts of the state are represented.

The Committee meets quarterly, and meetings include discussions on claim trends, potential loss exposures and loss control training and education initiatives.

The Loss Control Committee makes recommendations to the AMRRP Board of Trustees for ongoing loss control training and education.

Loss Control Services and Education

AMRRP Members have access to the administrator's loss control staff plus the resources of the administrator's library of print and video training material. Onsite surveys by the administrator's loss control consultants ensure that Members' municipally owned property is insured to the appropriate value. The surveys also assist Members in identifying and correcting potential hazards and helping Members assess their level of compliance with applicable ADA and OSHA requirements for facilities, administrative policies and procedures, employee training and certification.

Educational resources include the following:

- Training programs geared to an individual Member
- Workshops held on a regional and statewide basis to focus on broad-based issues

- Quarterly newsletters, loss control bulletins and safety posters that address current insurance, government, legal and health and safety issues
- An extensive video library, which is free to Members, provides insights on time management, ADA requirements, safety issues, traffic safety, workplace violence and ergonomics

The AMRRP and its administrator monitor changes in state and federal statutes and case law relating to public entities with a specific focus on issues relating to municipalities to ensure loss control efforts are proactive and claim adjudication is fair and equitable.

Specialized Programs

Personnel Assistance Lifeline (PAL) Program

The Personnel Assistance Lifeline (PAL) Program allows Members up to one free hour of legal consultation for any personnel-related issue. The program is designed to help Members prevent costly, employment-related claims.

Members can seek advice on employment termination or job elimination; employee discipline; FMLA, ADA and salary issues; and allegations of retaliation, discrimination, sexual harassment or hostile work environment.

Land Use Assistance Lifeline (LUAL) Program

The Land Use Assistance Lifeline (LUAL) Program provides Members with up to two free hours of legal consultation on any land use or zoning issue, including potential zoning disputes, easements, land acquisition and development agreements.

Similar to the PAL Program, the LUAL Program is an effective means of helping to prevent claims and lawsuits by reducing potential exposures at the time land-use decisions are made, either at the administrative or council level.

EEOC/ACRD Position Statement Program

As January of 2011, the AMRRP's Equal Employment Opportunity Commission (EEOC)/Arizona Civil Rights Division (ACRD) Program began providing Members with cost free legal assistance in the defense of discrimination charges filed with the EEOC or ACRD at the administrative level. Previously, the AMRRP provided up to \$5,000 in legal fees and costs to represent AMRRP Members against employees' charges before the EEOC or ACRD. However, the AMRRP Board decided to completely eliminate the potential legal fee/cost exposure to Members (on cases where legal expenses exceeded \$5,000) in January of 2011 in order to provide another value-added risk management service.

The program is based on the idea that when EEOC or ACRD allegations can be effectively addressed during the administrative process, costly lawsuits can be prevented, thereby eliminating future legal expenses and indemnity exposures.

Public Safety Assistance Program (PSAP)

Introduced in the fall of 2010, the Public Safety Assistance Program provides AMRRP Members' police chiefs and law enforcement officials with the technical expertise and practical assistance needed to address many of the police-related issues that create significant financial exposures for municipalities and liability exposures for the AMRRP.

The program provides Members with cost-free access to a veteran law enforcement specialist who can provide high-level input on issues relating to civil rights violations, property damage, harassment, illegal search and seizure, excessive use of force, wrongful impoundment and failure to apprehend. Additional help can be provided in analyzing departmental needs in vital areas such as training, policies and procedures, conflict resolution, incident tracking and report formatting.

LOSS CONTROL AWARDS

The following awards are for the AMRRP's property/casualty line of business and were presented to Members for the 2009-2010 policy year:

Gold Safety Incentive Award

Presented to Members with no losses during the prior year

Town of Clarkdale
Town of Dewey-Humboldt
Town of Duncan
Town of Kearny
Town of Parker
Town of Pima
Town of Star Valley
Town of Taylor
Town of Thatcher
City of Tolleson
Town of Winkelman

Silver Safety Incentive Award

Presented to Members with loss ratios between 1 percent and 10 percent

City of Apache Junction
City of Bullhead City
Town of Cave Creek
Town of Carefree
Town of Chino Valley
Town of Clifton
Town of Eagar
Town of Fountain Hills
Town of Guadalupe
Town of Hayden
City of Holbrook
Town of Mammoth
Town of Paradise Valley
Town of Payson
Town of Quartzsite
City of Safford
City of Sierra Vista
Town of Superior
Town of Wickenburg

Bronze Safety Incentive Award

Presented to Members with loss ratios between 11 percent and 25 percent

City of Bisbee
Town of Camp Verde
City of Eloy

City of Kingman
City of Litchfield Park
Town of Miami
Town of Pinetop-Lakeside
Town of Sahuarita
City of Sedona
City of South Tucson
Town of Springerville
City of Willcox

The following awards are for the AMRRP's workers' compensation line of business and were presented to Members for the 2009-2010 policy year:

Award of Excellence

Presented to Members with loss ratios between 0 percent and 10 percent

Town of Carefree
Town of Clifton
Town of Colorado City
Town of Dewey-Humboldt
Town of Duncan
Town of Gila Bend
City of Globe
Town of Hayden
City of Holbrook
Town of Jerome
League of Arizona Cities & Towns
City of Litchfield Park
Town of Mammoth
Town of Patagonia
Town of Pima
Town of Quartzsite
City of South Tucson
Town of Thatcher
City of Tombstone
Town of Winkelman

Award of Recognition

Presented to Members with loss ratios between 11 percent and 20 percent

Town of Camp Verde
Town of Fredonia
Town of Sahuarita
City of St. Johns
City of San Luis

CLAIMS MANAGEMENT

By providing claims service and outcome management that consistently exceeds industry standards, the AMRRP helps Members control claims costs in an environment that has become increasingly litigious. The AMRRP has established standards for handling claims based on industry "Best Practices."

Through its administrator, Southwest Risk Services, the Pool provides Members with a highly qualified and experienced staff of industry professionals who are familiar with all aspects of handling the unique claim exposures characterized by Arizona municipalities. Results of a December 2008 tri-annual independent claim audit commissioned by the AMRRP Board of Trustees and published in 2009 indicated that Southwest Risk Services' Claim Department achieved a 99 percent score in compliance with industry Best Practices, demonstrating a superior result. Another such audit is planned for 2011 in order to ensure quality claim handling standards are maintained.

In addition, the AMRRP has built strong relationships with top Arizona defense attorneys and professional experts to protect the interests of the Pool and its Members in disputed or litigated claims. As a result of this working partnership, the AMRRP is able to provide its Members with a comprehensive menu of first- and third-party claims management services geared toward fair, equitable and cost-effective resolution of meritorious claims.

Services include:

- Investigation of all first- and third-party property and liability claims, with oversight and direction of appraisers and outside experts as needed.
- Timely, fair and equitable interpretation and application of the Pool's property, liability and excess coverage agreements.
- Timely claim reserving that reflects the ultimate financial exposure to the Pool.
- Timely resolution of all first-party claims involving Pool Members.
- Appropriate management and resolution of all third-party claims, based on thorough analyses of coverage, liability and damage issues.
- Prompt and thorough reinsurance reporting and collaboration on large exposure claims.
- Appropriate selection and proactive management of defense attorneys and experts in litigated claims.
- Effective use of structured settlements to resolve large-exposure liability claims and claims involving minors.
- Effective use of Alternative Dispute Resolution (ADR) in mediating and/or arbitrating disputed claims.
- Identification and pursuit of recovery opportunities, including reinsurance reimbursement, disposition of claim salvage, pursuit of subrogation against parties responsible for damages sustained by Pool Members and reimbursement of deductibles and co-payments from Pool Members.

Specialized workers' compensation claims services include:

- 24-hour, three-point contact (claimant, employer, physician).
- In-house medical cost reductions through the use of PowerTrak, Southwest Risk Services' medical bill review program.
- Negotiated medical bill discounts below the Industrial Commission of Arizona (ICA) Physician's Fee Schedule through partnerships with well-established medical provider networks.
- Effective referral procedure to network medical providers when possible.
- Aggressive utilization of nurse case management on serious injury claims.
- Aggressive pursuit of modified-duty return-to-work opportunities.
- Elimination or reduction of long-term Loss of Earning Capacity (LEC) exposures through lump-sum settlements, purchase of annuities and/or pursuit of ICA Special Fund contribution when possible.
- Aggressive pursuit of subrogation recoveries from third-party tortfeasors.
- User-specified access to claim file notes and financial information via the internet-based *Customer e-tools* program.

2010 CLAIM TRENDS

Overall, new claims reported to the AMRRP's administrator decreased by approximately 5 percent in 2010 compared to the new claims received during the prior calendar year. Total claims received in all coverage lines (property, auto, general liability and workers' compensation) dropped from 1,617 claims in 2009 to 1,534 in 2010.

PROPERTY/CASUALTY

In the Pool's property, auto and general liability lines, new claim volume decreased by more than 11 percent, going from 747 new claim files set up in 2009 to 662 new claim files set up in 2010. Many of those individual claims – especially in the auto coverage line – included multiple claimant lines in cases where there were multiple parties injured as a result of a single accident, or when claims were made for both property damage and bodily injury.

Property and Inland Marine Claims

The number of new property/inland marine losses increased most significantly, going from 123 during 2009 to 150 during 2010 and reflecting an increase of nearly 22 percent. Theft losses were up significantly, as were property damage claims resulting from wind, rain or hail, reflecting the damage done by a severe hailstorm that hit the central part of Arizona in October of 2010.

During calendar year 2010, the most frequent causes of loss to Members' property were:

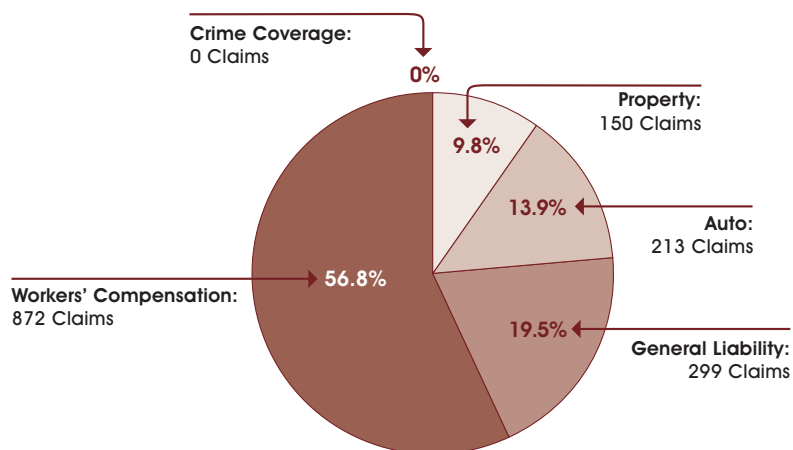
- Theft losses (51 new claims)
- Damage caused by wind, rain or hail (29 new claims)
- Damage caused by another party's vehicle (19 new claims)
- Property damage by multiple causes (18 new claims)
- Property losses caused by vandalism (13 new claims)

Overall, new property/inland marine losses received by the AMRRP represented just less than 10 percent of the Pool's total new claim receipts (including workers' compensation and property/casualty) during 2010 and just over 22.5 percent of its new property/casualty claims. The \$603,345 incurred (expense and indemnity dollars paid and reserved) on new property losses received in 2010 represented less than 7 percent of the Pool's total incurred dollars in all coverage lines last year, and just over 11 percent of the Pool's total property/casualty incurred dollars as of December 31, 2010.

Crime Claims

There were no claims submitted to the AMRRP under the Pool's crime coverage line during 2010. Only one claim had been filed under the Pool's crime coverage line during each of the two prior years.

Claims Received in 2010



Auto Claims

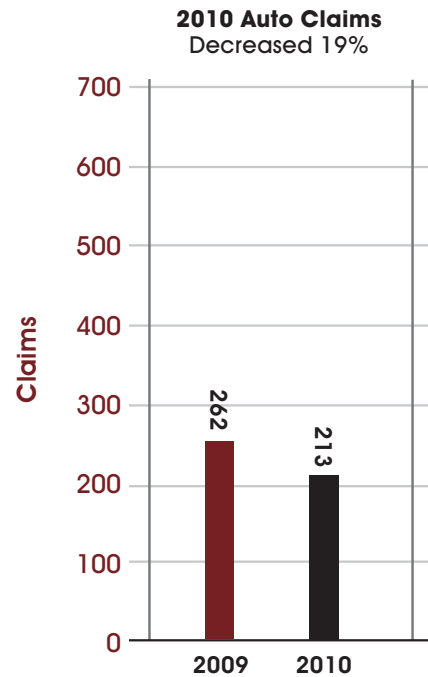
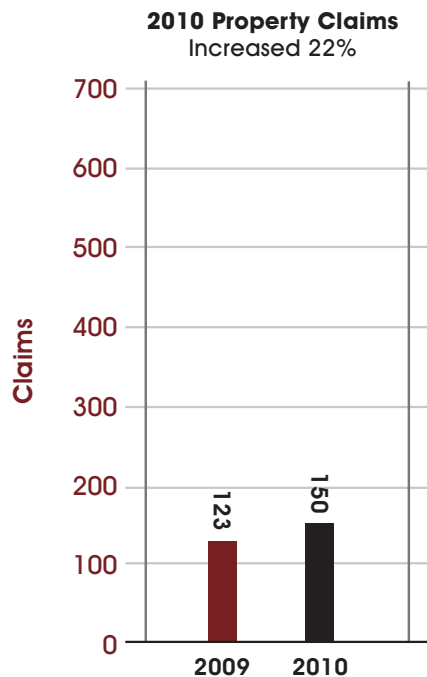
The volume of new auto claims reported to the AMRRP decreased by nearly 19 percent in 2010, with new first- and third-party auto claims totaling 213 in 2010 compared to 262 new claims the year before. Many of those claims, however, involved multiple individual claimants (such as when a driver and several passengers made claims as a result of a single auto accident) or multiple claimant lines (e.g., claims from a single accident involving bodily injury and property damage to third-party claimants and claims for first-party collision damage from an AMRRP Member). Auto losses represented nearly 14 percent of the overall claims received by the Pool in 2010 and approximately 32 percent of all new AMRRP property/casualty claims reported during the year.

For the 2010 calendar year, the most frequent causes of new AMRRP auto losses were:

- Collision accidents resulting from multiple causes (66 claims)
- Accidents in which a Member's vehicle struck a fixed object (30 claims)
- Accidents in which a Member's driver failed to yield the right-of-way (21 claims)
- Accidents in which a Member's vehicle hit a parked vehicle (17 claims)
- Accidents in which a Member's vehicle rear-ended another vehicle (16 claims)

From the standpoint of incurred amounts (expense and indemnity dollars paid and incurred) on auto files, as was the case in several prior years, new 2010 collision claims resulting from multiple causes were the most costly. The top five types of auto claims with the most significant dollar exposures during 2010 were:

- Collision claims from multiple causes (approximately \$1.2 million incurred)
- Claims involving pedestrian collisions (approximately \$650,000 incurred)
- Claims resulting from Members' drivers failing to yield the right-of-way (approximately \$316,000 incurred)
- Claims in which a Member's driver rear-ended another vehicle (approximately \$61,000 incurred)
- Claims in which another vehicle rear-ended an AMRRP Member's vehicle (approximately \$44,000 incurred)



General Liability Claims

As was the case in 2008 and 2009, the general liability (GL) coverage line resulted in the largest number of new property/casualty claims received by the AMRRP in 2010, although new GL claim reports were down significantly compared to the prior year. During 2010, the AMRRP received 299 new GL claims, although many of those claims involved multiple claimants injured as a result of a single event, or multiple claimant damage lines (e.g., for bodily injury and property damage). The 299 new GL claims received in 2010 represented a 17 percent decrease from the 361 new GL claims reported to the Pool during 2009.

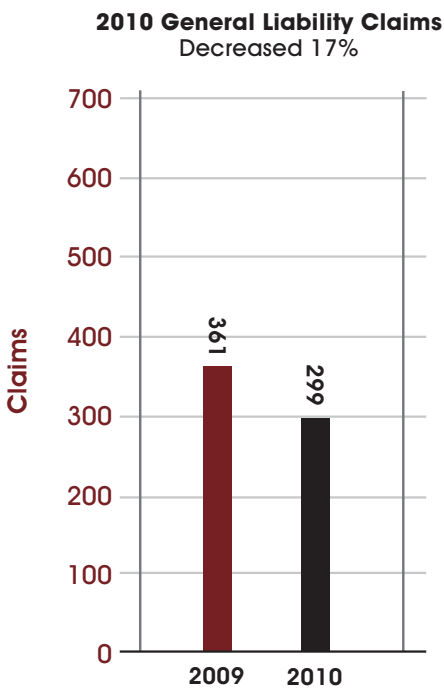
GL claims represented 45 percent of the new claims received in the AMRRP's property/casualty coverage lines during 2010, and nearly 20 percent of all the claims the Pool received during the calendar year (including workers' compensation claims).

GL claims for which the AMRRP provides coverage are grouped into several categories based on the type of exposure that generated the claim, including: Employment; Land Use; Admin/Directors & Officers (D & O)/Public Officials; Parks and Recreation; Personal Injury; Police; Street and Road; Fire; Utilities; and

General Premises claims. Many of those categories, in turn, include sub-categories.

During 2010, the most frequent causes of new AMRRP GL claims were:

- General premises claims, including claims resulting from slip-and-fall accidents, mobile equipment, design/construction issues or multiple causes (70 new claims)
- Claims resulting from allegedly negligent street and road design and/or maintenance, including improper or missing signage and/or barricades (56 new claims)
- Claims resulting from non-auto-related police actions such as alleged civil rights violations, property damage, harassment, illegal search and seizure, use of excessive force, wrongful impoundment and failure to apprehend (49 new claims)
- Claims relating to utility installation or maintenance, including sewer backup losses, electrocution losses, water tank and sprinkler system losses, power surges and interruption of utility services (38 new claims)
- Claims relating to actions by administrators or public officials, not including employment and land use issues (36 new claims)



The number of new land use claims decreased significantly last year, going from 55 new claims in 2009 to only 16 new land use claims received during 2010. Twelve of those 16 new claims – representing 75 percent the AMRRP's 2010 incoming land use claim volume – included claims in which plaintiffs were pursuing only declaratory or injunctive relief, and in which no actual, monetary damages were being sought. In cases such as those, the Pool's coverage agreement provides for only limited defense costs with no indemnity coverage.

One of the AMRRP's highest dollar exposures was in its employer's liability coverage sub-line. Last year, the number of new AMRRP employment claims was down slightly, going from 17 new claims in 2009 to 16 new claims received during 2010. Claims for which the AMRRP offers employment coverage include those alleging wrongful termination, discrimination based on age, race or sex, and claims based on a combination of several of those allegations.

With respect to incurred dollar amounts by GL loss category, the 16 new claims received by the AMRRP as a result of employment liability proved to be the most costly, followed by claims arising out of administrative decisions under the Pool's Public Officials Directors and Officers (D & O) coverage.

The top five types of GL claims with the most significant dollar exposures during 2010 were:

- Employment liability claims (approximately \$683,000 incurred)
- Public officials D & O claims (approximately \$358,000 incurred)
- Police liability claims (approximately \$354,000 incurred)
- General liability premises claims, including slip-and-fall accidents, mobile equipment accidents, claims arising from alleged design/construction deficiencies and claims arising from multiple causes (approximately \$248,000 incurred)
- Land use liability claims (approximately \$210,000 incurred)

Property/Casualty Subrogation

The AMRRP's 2010 property/casualty subrogation recoveries totaled \$162,787. This amount reflects the Pool's successful pursuit of financial reimbursement from parties whose negligence resulted in a first-party claim being paid to compensate a Member for damages.

WORKERS' COMPENSATION

Due in part to the decrease in new property/casualty claims last year, workers' compensation claims increased as a percentage of all new claims received by the AMRRP in 2010. Nearly 57 percent of all new claims reported to the Pool last year were in the workers' compensation coverage line. During 2009, workers' compensation claims accounted for 54 percent of the AMRRP's new claim volume. In spite of these numbers, the Pool actually received only two more new workers' compensation files last year than it did the year before, with new claims from injured workers going from 870 in 2009 to 872 during 2010.

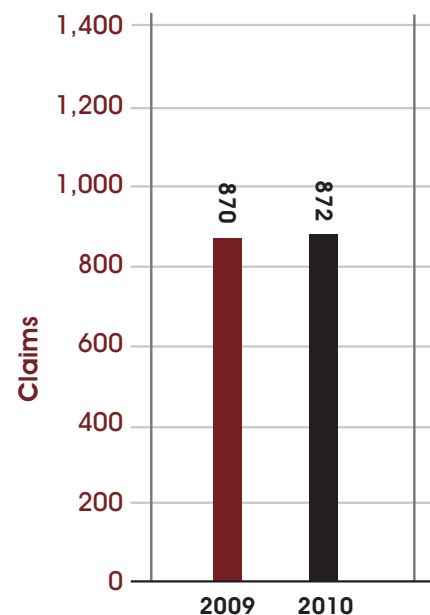
Included in the new workers' compensation claims reported to the AMRRP during 2010, there were 751 "medical only" files in which Members' employees did

not miss time from work and in which no lost wage or permanent impairment benefits were due. There were 121 new indemnity claims received by the AMRRP in 2010. Those were claims in which lost-wage or permanent impairment benefits were due to the injured worker. This is compared with the 140 indemnity claims reported during calendar year 2009. Among those indemnity claims, 66 involved injured workers who were compensated for lost time from their jobs but who had no permanent impairment as a result of their on-the-job injury. In addition, there were 55 indemnity claims that involved employees who received permanent partial disability or loss of earning capacity benefits as a result of work-related injuries or occupational diseases.

Once again during 2010, there were no fatality claims among AMRRP Members' employees and no claims in which an injured employee was permanently and totally disabled.

Total incurred amounts (including dollars paid and reserved in the medical, indemnity and expense categories) on the new AMRRP workers' compensation claims that were received during 2010 were just over \$3.5 million, compared to the \$5 million that had been paid and reserved on new 2009 files at the end of that year. However, as many of those 2010 claims develop, reserves are subject to change.

2010 Workers' Compensation Claims
Increased 0.2%



The top five major causes of workers' compensation claims submitted to the Pool during 2010 were:

- Criminal assaults - 95 claims, totaling nearly 11 percent of the total claims received
- Lifting incidents - 91 claims, totaling over 10 percent of the total claims received
- Slip and falls - 76 claims, totaling nearly 9 percent of the total claims received
- Animal or insect-related injuries - 52 claims totaling 6 percent of the total claims received
- Falls from different levels, excluding ladders or scaffolds - 35 claims totaling 4 percent of the total claims received

The most commonly injured body parts in new AMRRP claims during 2010 were:

- Back (upper and lower) – 95 claims, or less than 11 percent of the total claims received
- Knees - 93 claims, or approximately 10.5 percent of the total claims received
- Hands – 60 claims, or 7 percent of the total claims received
- Shoulders – 58 claims, or approximately 6.5 percent of the total claims received
- Fingers – 56 claims, also totaling approximately 6.5 percent of the total claims received

As in prior years, the most significant on-the-job injury exposures during 2010 were associated with police officers, who are most often working in physically-demanding, emergency situations. Police officers once again generated the highest number of new AMRRP workers' compensation injuries during 2010, followed by public works employees.

Top municipal departments for new AMRRP injuries in 2010 were:

- Police – 329 claims, or over 37.5 percent of the total claims received
- Public Works – 120 claims, or nearly 14 percent of the total claims received
- Fire – 108 claims, or nearly 12.5 percent of the total claims received
- Parks & Recreation – 82 claims, or almost 9.5 percent of the total claims received
- Wastewater/Water – 54 claims, representing over 6 percent of the total claims received

Once again during 2010, the AMRRP recognized significant workers' compensation claim cost savings by reducing medical and prescription bills to amounts well below the originally submitted charges. The Pool's ongoing relationships with a number of local and national medical, physical therapy, prescription, radiology and durable medical equipment network providers allowed the AMRRP to recognize cost savings ranging from 19 percent to 36 percent below figures stated in the Industrial Commission of Arizona (ICA) Physician's Fee Schedule, or below industry figures reflecting "reasonable and customary" charges for non-fee schedule items.

The AMRRP's net savings based on reductions of workers' compensation medical bills totaled \$1,831,034 during 2010. This amount reflects an increase of over 6 percent in fee reduction savings compared with the \$1,728,595 in fee reductions the Pool processed during 2009. The AMRRP's medical bill savings included:

- Net reductions of \$829,541 on charges for medical care governed by the ICA Fee Schedule
- Net reductions of \$661,468 taken on non-ICA Fee Schedule hospital, surgicenter and durable medical equipment (wheelchairs, crutches, etc.) charges as a result of medical network agreements negotiated by the AMRRP
- Net reductions of \$55,591 in prescription costs as a result of prescription network agreements negotiated by the AMRRP
- Additional net reductions of \$44,187 in radiology charges (below the ICA Fee Schedule) as a result of radiology network agreements negotiated by the AMRRP
- Additional net reductions of \$42,665 in physical therapy charges (below the ICA Fee Schedule) as a result of physical therapy network agreements negotiated by the AMRRP

Subrogation in the AMRRP's workers' compensation line totaled \$196,511 during the 2010 calendar year. Aggressive subrogation pursuit reflects the Pool's strong commitment to holding third parties financially responsible, whenever possible, for reimbursement of costs for treatment of employees of AMRRP Members who were injured on the job as a result of the negligence of others.

FINANCIAL PROFILE LETTER

As of December 31, 2010

General purpose financial statements for the year ending December 31, 2010 were prepared by Southwest Risk Services for presentation to the AMRRP Board of Trustees, together with reports from Regnier Consulting Group, Inc., actuary, and Gilbert Associates, Inc., independent accounting auditor. As reflected in those reports, the AMRRP ended the 2010 calendar year in a strong financial position.

Gilbert Associates, Inc. issued its unqualified opinion that the financial statements fairly represent, in all material respects, the AMRRP's financial position, operational results and cash flows.

Included in this annual report are excerpts from the AMRRP Financial Statements with Independent Auditor's Report, December 31, 2010 and 2009, prepared by Gilbert Associates, Inc. Original copies of the entire report are maintained at the offices of the AMRRP's Administrator, Southwest Risk Services.

We are pleased to report year-end combined net assets of nearly \$33.4 million. This figure represents an increase of more than \$2.7 million over the AMRRP's 2009 combined net assets, even after the issuance of a \$2.8 million property/casualty Member dividend during 2010.

With the AMRRP having completed its 23rd year of successful operations in 2010, its continued growth and financial strength have allowed its Members to enjoy innovative, affordable and comprehensive insurance and risk management services that are exclusively tailored to the needs of Arizona cities and towns.

Respectfully Submitted,



Ed Bantel
Program Administrator
Southwest Risk Services

ARIZONA MUNICIPAL RISK RETENTION POOL

BALANCE SHEETS DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 9,226,347	\$ 14,891,438
Investments	6,486,214	7,910,138
Premiums Receivable	14,079,942	14,110,840
Accrued Interest/Investment Income	372,064	368,291
Reinsurance Recoverable on Paid Losses	197,261	72,910
Prepaid Reinsurance Premiums	166,238	
Deferred Charges	<u>384,721</u>	<u>295,551</u>
Total Current Assets	<u>30,912,787</u>	<u>37,649,168</u>
NONCURRENT ASSETS:		
Restricted Deposit in LGIP	6,500,926	4,382,323
Reinsurance Recoverable on Paid Losses	489,068	216,547
Investments	<u>35,707,145</u>	<u>26,765,307</u>
Total Noncurrent Assets	<u>42,697,139</u>	<u>31,364,177</u>
TOTAL ASSETS	<u>\$ 73,609,926</u>	<u>\$ 69,013,345</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 533,761	\$ 499,642
Reinsurance Premiums Payable	107,622	247,913
Unearned Premiums	11,020,467	11,430,059
Claims Liability	<u>8,764,365</u>	<u>8,346,479</u>
Total Current Liabilities	20,426,215	20,524,093
NONCURRENT LIABILITIES:		
Claims Liability	<u>19,790,390</u>	<u>17,818,562</u>
Total Liabilities	<u>40,216,605</u>	<u>38,342,655</u>
NET ASSETS:		
Restricted	6,500,926	4,382,323
Unrestricted	<u>26,892,395</u>	<u>26,288,367</u>
Total Net Assets	<u>33,393,321</u>	<u>30,670,690</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,609,926</u>	<u>\$ 69,013,345</u>

ARIZONA MUNICIPAL RISK RETENTION POOL

**COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS
DECEMBER 31, 2010**

	<u>Property and Liability</u>	<u>Workers' Compensation</u>	<u>Combined Total</u>
OPERATING REVENUES:			
Premiums:			
Gross Written Premiums	\$16,316,910	\$ 9,222,719	\$25,539,629
Less Premiums Ceded	<u>(4,293,367)</u>	<u>(725,726)</u>	<u>(5,019,093)</u>
Net Written Premiums	12,023,543	8,496,993	20,520,536
Net Change in Unearned Premiums	<u>699,232</u>	<u>(289,640)</u>	<u>409,592</u>
Total Operating Revenue	<u>12,722,775</u>	<u>8,207,353</u>	<u>20,930,128</u>
OPERATING EXPENSES:			
Claims and Loss Adjustment	6,178,943	7,681,708	13,860,651
Administrative	2,172,864	818,784	2,991,648
Policyholders' Dividend	2,800,000		2,800,000
Premium Tax		<u>486,773</u>	<u>486,773</u>
Total Operating Expenses	<u>11,151,807</u>	<u>8,987,265</u>	<u>20,139,072</u>
NET INCOME (LOSS) FROM OPERATIONS	1,570,968	(779,912)	791,056
NONOPERATING INCOME:			
Investment Income	<u>1,497,213</u>	<u>434,362</u>	<u>1,931,575</u>
NET INCOME (LOSS)	3,068,181	(345,550)	2,722,631
NETS ASSETS, Beginning of Year	<u>23,698,914</u>	<u>6,971,776</u>	<u>30,670,690</u>
NET ASSETS, End of Year	<u>\$26,767,095</u>	<u>\$ 6,626,226</u>	<u>\$33,393,321</u>

ARIZONA MUNICIPAL RISK RETENTION POOL

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Premiums Collected from Participants	\$ 25,570,527	\$ 27,580,485
Reinsurance Premiums Paid	(5,325,622)	(5,303,371)
Losses and Loss Expenses Paid	(11,867,809)	(10,332,686)
Operating Expenses Paid	(3,533,472)	(4,439,180)
Dividends Paid to Policyholders	<u>(2,800,000)</u>	<u>(2,000,000)</u>
Net Cash Provided by Operating Activities	<u>2,043,624</u>	<u>5,505,248</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Investments	(28,527,279)	(12,471,089)
Interest/Investment Income Received	1,588,153	1,696,325
Sale/Maturity of Investments	<u>21,349,014</u>	<u>9,845,712</u>
Net Cash Used by Investing Activities	<u>(5,590,112)</u>	<u>(929,052)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,546,488)	4,576,196
CASH AND CASH EQUIVALENTS, Beginning of year	<u>19,273,761</u>	<u>14,697,565</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 15,727,273</u>	<u>\$ 19,273,761</u>
Cash and Cash Equivalents	\$ 9,226,347	\$ 14,891,438
Restricted Deposit in LGIP	<u>6,500,926</u>	<u>4,382,323</u>
Total Cash and Cash Equivalents	<u>\$ 15,727,273</u>	<u>\$ 19,273,761</u>

ARIZONA MUNICIPAL RISK RETENTION POOL

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Reconciliation of the Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Net Income From Operations	\$ 791,056	\$ 323,318
Adjustments to Reconcile the Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease In:		
Premiums Receivable	30,898	603,053
Reinsurance Recoverable on Paid Losses	(396,872)	1,567,563
Prepaid Reinsurance Premiums	(166,238)	
Deferred Charges	(89,170)	(10,263)
Increase (Decrease) In:		
Accounts Payable	34,119	17,653
Reinsurance Premiums Payable	(140,291)	90,282
Unearned Premiums	(409,592)	422,660
Claims Liability	<u>2,389,714</u>	<u>2,490,982</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,043,624</u>	<u>\$ 5,505,248</u>

BOARD OF TRUSTEES

OFFICERS



Rudy Rodriguez
President

Finance Director/Treasurer
City of Cottonwood



Scott Barber
Vice President

Administrative Services Director
City of Casa Grande



George Hoffman
Secretary/Treasurer

City Manager
City of Apache Junction

TRUSTEES



Jackie Baker

Council Member
Town of Camp Verde



Gary Duncan

Risk Manager
Town of Queen Creek



Bob Easton

Safety & Risk Manager
Town of Oro Valley



Lenore Lancaster

Management Services Director
Town of Paradise Valley



Kelly Udall

Town Manager
Town of Pinetop-Lakeside



Teresa Williams

Finance Director
City of Globe

ADVISORS/CONSULTANTS



League Advisor

Ken Strobeck

Executive Director, League of Arizona Cities and Towns

Legal Advisor - William J. Sims, III

LaSota & Peters, PLC

Accountant

Gilbert Associates, Inc.

Administrator

Southwest Risk Services

Reinsurance Carrier - Property and Liability

Genesis Underwriting Management Company

Excess Carrier – Workers' Compensation

Safety National Casualty Corporation

Independent Actuary

Regnier Consulting Group, Inc.

2010 MEMBER ROSTER

City of Apache Junction
City of Avondale
City of Benson
City of Bisbee
Town of Buckeye
City of Bullhead City
Town of Camp Verde
Town of Carefree
City of Casa Grande
Town of Cave Creek
Town of Chino Valley
Town of Clarkdale
Town of Clifton
Town of Colorado City
City of Coolidge
City of Cottonwood
Town of Dewey-Humboldt
Town of Duncan
Town of Eagar
City of El Mirage
City of Eloy
Town of Florence
Town of Fountain Hills
Town of Fredonia
Town of Gila Bend
City of Globe
City of Goodyear
Town of Guadalupe
Town of Hayden
City of Holbrook
Town of Huachuca City
Town of Jerome
Town of Kearny
City of Kingman
League of Arizona Cities & Towns
City of Litchfield Park
Town of Mammoth
Town of Marana
City of Maricopa
Town of Miami
Town of Oro Valley
Town of Paradise Valley
Town of Parker
Town of Patagonia
Town of Payson
Town of Pima
Town of Pinetop-Lakeside
Town of Prescott Valley
Town of Quartzsite
Town of Queen Creek
City of Safford
Town of Sahuarita
City of St. Johns
City of San Luis
City of Sedona
City of Show Low
City of Sierra Vista
Town of Snowflake
City of Somerton
City of South Tucson
Town of Springerville
Town of Star Valley
Town of Superior
City of Surprise
Town of Taylor
Town of Thatcher
City of Tolleson
City of Tombstone
Town of Tusayan
Town of Wellton
Town of Wickenburg
City of Willcox
Town of Winkelman
City of Winslow
Town of Youngtown



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