

2001



ANNUAL REPORT

SDML WORKERS' COMPENSATION FUND

TO THE MEMBERSHIP

Mission Statement

The SDML Workers' Compensation Fund
has a strong commitment to providing a competitive
workers' compensation program for the public entities in
South Dakota through administrative, loss control and technical services.

As a self-insured pool
the SDML Workers' Compensation Fund
was created *for* its Members and is controlled *by* its Members.

Board of Trustees



Beth Benning
Chairman



Bob Wilcox
Vice Chairman



Sharon Goldhammer
Secretary



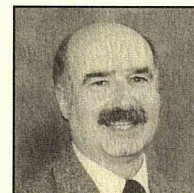
Karl Alberts



Brenda Barger



Mike Grosek



Francis Toscana



Sue Schaefer

Service Providers

Administration & Marketing

Insurance Benefits, Inc.
PO Box 5090
Sioux Falls, SD 57117-5090
800-456-0737

Actuarial Audit

Capital Actuarial Consultants
400 O Street Suite 202
Sacramento, CA 95814

Claims Administration

Claims Associates, Inc.
PO Box 1580
Sioux Falls, SD 57117-1580
888-654-6495

Claims Audit

Northshore International Insurance
Services
76 Lafayette Street
Salem, MA 01970

Financial Audit

McGladrey & Pullen, LLP
100 S. Phillips Avenue Suite 404
Sioux Falls, SD 57104-6721

Investment Manager & Custodial Services

BankWest Trust Department
PO Box 998
Pierre, SD 57501
605-224-7292

Loss Control

Risk Services of South Dakota
PO Box 5090
Sioux Falls, SD 57117-5090
800-408-9040

Loss Control Audit

Risk Probe, Inc.
PO Box 960
Wrentham, MA 02093

Re-Insurance

NLC Mutual Insurance Company
1301 Pennsylvania Avenue NW
Suite 550
Washington, DC 20004

SPONSORING ORGANIZATION

South Dakota Municipal League
Yvonne Taylor, Executive Director – Kristin McLaury, Director of Insurance Services
214 East Capitol Avenue
Pierre, SD 57501
(605) 224-8654

Letter to Our Members



Dear Members:

It has been a rewarding year for the South Dakota Municipal League Workers Compensation Fund and a wonderful opportunity for the Board of Trustees to serve the local governments in South Dakota. We have been able to see first hand the benefits of our programs on the bottom line and the rewards that can be gained by working together.

This year, as we celebrate the completion of our 15th year of service to the cities, counties, townships, and special districts of South Dakota, we pause to reflect on the past, enjoy the present, and embrace the future. We began with no money in the bank and part time staff. Fortunately, along with this staff, we had leaders with the conviction to plunge into the highly volatile insurance market and form our own insurance pools to provide a stable market for our insurance needs. We have come a long way since 1987! Each year seems to be a banner year in improving participation, financial results and services. This is only made possible by working cooperatively for the common good.

Statistically, during 2001, the Fund welcomed 6 new members, bringing our total membership to 220. Our members' annual contributions total \$1,918,463. The assets of the SDML Workers Compensation Fund were \$19,993,226. Once again, due to the financial stability of the Fund and the loss experience of the members, the Board was pleased to authorize a renewal credit of 20% to be distributed to the members.

The primary goal of the Fund is to provide quality service, stabilize premiums, and practice good risk management. We, as board members, are committed to learn, understand and respond to your needs; to continue long range planning to provide for the future; and to provide prompt, accurate and courteous responses to your questions, concerns, and claims. We strongly believe that our programs provide the most cost effective solution for workers' compensation coverage, superior claims handling service, and risk control services specifically tailored to the needs of South Dakota local government entities.

Please take a few moments to review this report. I think you will find it both interesting and informative. Remember, the success of an intergovernmental pool depends on continued support by its members. We, as board members, value our working relationship with you, the members of the SDML Workers' Compensation Pool, and look forward to working together in the future to insure the long-term viability of the Fund.

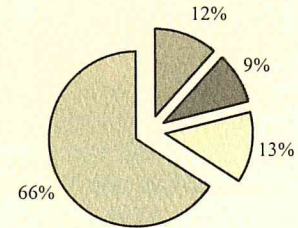
Elizabeth A. Benning, Chairman
SDML Workers' Compensation Fund

Investment Portfolio

Cash & Money Market Fund	\$ 2,054,855
US Government or Agency Funds	\$ 1,667,869
Certificates of Deposit	\$ 2,358,041
US Government or Agency Bonds	<u>\$11,666,766</u>

2001 Total Value **\$17,747,531**

- Cash & Money Market
- Gov't or Agency Funds
- Certificate of Deposit
- Gov't or Agency Bonds



Employees By Classification Code

Classification Code	Description	Number of Employees			
0005	Farm/Nursery	137	8380	Auto Repairs	45
0042	Landscape	12	8392	Parking Lots	6
0050	Weed Spraying	118	8601	Consulting Engineers	19
0106	Tree Pruning	7	8810	Clerical/Elected Officials	2,965
3724	Traffic Signals	12	8820	Attorney	174
5506	Street & Road Const	653	8829	Nursing Home	110
5507	Street/Road Sub-surface	30	8831	Animal Control	9
5606	Contractor - Exec. Supr.	50	8832	Physicians	6
6217	Grading/Landfill	37	8833	Hospitals	73
6319	Gas Mains	14	8835	Home Health	7
7370	EMT's	1,000	8868	Teachers	10
7387	Transit	49	9015	Building NOC	235
7403 & 7423	Airport Operations	36	9016	Ice Rinks	1
7502	Gas Operations	14	9033	Housing Authority	6
7520	Water Department	248	9040	Hospital Other	10
7539	Light Department	119	9060	Country Clubs	74
7580	Sewage/Wastewater	133	9063	Recreation Centers	246
7590 & 9403	Garbage Services	136	9101	School Other	6
7704	Firefighters	4,044	9102	Parks	666
7720	Law Enforcement	1,209	9156	Musicians	117
8017 & 9084	Bar/Liquor Stores	111	9220	Cemetery	28
8227	Contractor Perm Yard	5	9402	Street Cleaning/Snow Removal	190
			9410	Municipal/County Officials	229
			9552	Sign Erection	3

Selected Financial Data

ASSETS	As of December 31,				
	2001	2000	1999	1998	1997
Cash & cash equivalents	\$ 2,055,774	\$ 1,293,773	\$ 1,667,727	\$ 3,043,182	\$ 4,089,336
Receivables, primarily reinsurance recoverable on policy liabilities	842,299	729,735	1,063,438	1,324,864	1,612,533
Investments and certificates of deposit	15,660,333	15,423,682	14,117,626	12,784,813	10,431,588
Capital and Member equity in NLC Mutual	1,434,820	1,372,551	1,233,321	1,239,223	1,132,026
Total Assets	19,993,226	18,819,741	18,082,112	18,392,082	17,265,483
LIABILITIES AND MEMBERS' EQUITY					
Liabilities					
Estimated Liability for reported and unreported claims & claims adjustment expense	6,210,285	6,198,339	6,746,959	7,162,716	8,580,746
Other Liabilities	722,915	793,938	816,297	898,879	1,067,036
Total Liabilities	6,933,200	6,992,337	7,563,256	8,061,595	9,647,782
Members' Equity	13,060,026	11,827,404	10,518,856	10,330,487	7,617,701
Total Liabilities & Members Equity	19,993,226	18,819,741	18,082,112	18,392,082	17,265,483
INCOME					
INCOME	Years Ended December 31,				
	2001	2000	1999	1998	1997
Member contributions earned, net of reinsurance	1,918,463	1,700,626	2,419,185	2,741,633	3,469,122
Claims and claims adjustment expenses incurred	1,569,497	1,795,398	2,027,978	906,599	1,847,180
Underwriting income (loss)	348,966	(94,772)	391,207	1,835,034	1,621,942
Expenses of operations	430,604	400,341	351,498	349,410	410,564
Net underwriting income (loss)	(81,638)	(495,113)	39,709	1,485,624	1,211,378
Other Income					
Net investment income	982,392	1,007,382	913,450	888,160	831,095
Earned Member equity, NLC Mutual	153,414	139,230	(5,902)	107,197	291,981
Other recoveries and income	-	-	-	-	436,980
Net income before dividends	1,054,168	651,499	947,257	2,480,981	2,771,434
Dividends to Members	-	-	-	-	-
Net income	\$ 1,054,168	\$ 651,499	\$ 947,257	\$ 2,480,981	\$ 2,771,434

Membership Services and Underwriting

Providing Exceptional Service with Exceptional Results

The year 2001 proved to be a strong, stable marketplace for public entities to place their Workers' Compensation coverage with the ***SDML Workers' Compensation Fund***.

The Fund applied a 20% renewal credit and a 10% equity credit to all members renewing coverage in 2001. The ability to return investment income to the owners of the Fund – the Members - proves that dedicated loss control services and claims management, together with the employees participation, makes a successful program.

Public Entities are the only Members eligible to purchase Workers' Compensation coverage from the Fund. Therefore, the Fund recognizes the importance of covering volunteers as well as appointed and elected officials; address on-call time and overtime; and is aware of budget constraints that may affect the membership. The Fund provides statutory benefits overseen by the Department of Labor. Those benefits are medical, disability, death and rehabilitation.

The standard insurance market has entered again into another cycle that has caused premiums to increase and carriers to leave our State. However, the Fund has remained financially strong, did not increase rates, and was able to increase membership.

Throughout the 2001 year, the Fund has continued to serve its membership with a keen understanding of member needs and service expectations.

Claims Management

Streamlining Systems for Members

The SDML Workers' Compensation Fund's claims administrator, Claims Associates, Inc., follows a three point claims handling policy. It is the Claims Administrator's objective to work with members to return employees to good health, maximum medical improvement, and functional recovery while minimizing lost workdays and controlling the member's workers' compensation costs.

Claims will be fully investigated to determine the exposure to the Member and the Fund. Claims will be resolved in the most efficient and cost-effective manner, while providing the injured employee the best possible medical treatment. Light duty or return to work programs are encouraged to bring an injured employee back to the worksite. These programs assist an employee in their recovery as well as help the member to control their claims expenses.

All claims are reserved for loss and expense, at a level that reflects the final estimated disposition cost of the claim. Reserves are regularly reviewed for accuracy and sufficiency. Detailed monthly claim reports are prepared and provided to each Member.

Loss Control

Helping Members Make the Workplace Safe

More and more SDML Worker's Compensation Fund Members realize that establishing safety programs protects their most important asset – the employee, as well as saves them money. Estimates vary, but indirect costs, i.e. overtime, temporary employees, repairs to equipment, can cost as much as four to six times the actual amount of the claim. That means for every \$1 paid by workers' compensation, an additional \$4 to \$6 could be paid by the entity. A good safety program will help reduce the frequency and severity of injuries sustained by employees. Safety programs can help lower individual Experience Modifiers, meaning significant contribution savings in addition to the indirect cost savings.

Risk Services of South Dakota purpose is to assist Fund Members in making workplaces as safe as possible for employees. In 2001, loss control representatives conducted 85 on-site surveys for Members. During these surveys improvement suggestions were developed to assist Members with safety efforts.

Approximately 90% of workplace injuries are caused by unsafe acts. RSSD continues to work with Members in developing and providing safety training. Last year 2,471 employees attended 102 free training classes conducted by RSSD. Additionally 38 Members checked out 225 videos from our library. Thanks to the assistance of our Safety Advisory Board, this year's annual Safety Training Conference had the largest attendance yet. A total of 31 safety awards were presented this year, the highest number since the program started.

RSSD continues to be available for consultation on various safety issues. Last year 54 Members made 122 requests for information. RSSD remains committed to assisting, you the Member, with your safety and loss control needs. We will keep you informed of the latest safety trends through our newsletter, "The Safety Net".

Municipal Members & Enrollment Date

Aberdeen	March 1, 1987	Garretson	January 1, 1992	Nisland	August 1, 1988
Andover	September 1, 1987	Gary	July 1, 1990	North Sioux City	June 1, 1987
Arlington	July 1, 1987	Gettysburg	November 1, 2001	Oacoma	November 9, 1997
Astoria	September 1, 2001	Glenham	January 1, 1991	Ortley	April 1, 1990
Baltic	July 1, 1988	Gregory	April 1, 1996	Parker	November 1, 1989
Batesland	January 1, 1989	Groton	October 1, 1987	Pickstown	August 1, 1987
Belvidere	March 1, 1989	Harrisburg	September 1, 1994	Pierpont	March 1, 1988
Bison	September 1, 1987	Harrold	May 5, 2000	Pierre	January 1, 1987
Box Elder	May 1, 1992	Hayti	September 1, 1991	Roscoe	January 1, 1990
Brandon	May 1, 1994	Hecla	February 1, 1987	Rosholt	October 15, 2001
Brentford	September 1, 1987	Herrick	March 1, 1989	Salem	June 1, 1990
Bridgewater	June 1, 1987	Hill City	April 1, 1987	Seneca	August 1, 1987
Bristol	April 1, 1990	Hosmer	April 1, 1991	Sherman	January 1, 2000
Britton	January 14, 2001	Hot Springs	January 1, 1994	Sisseton	October 1, 1987
Bryant	February 1, 1989	Hoven	April 1, 2001	Spearfish	January 1, 1987
Burke	January 1, 1987	Howard	January 1, 1988	Stratford	January 1, 1988
Castlewood	February 1, 1988	Hudson	September 1, 1990	Sturgis	January 1, 1987
Cavour	October 1, 1991	Humboldt	May 1, 1994	Summit	July 3, 2001
Centerville	January 1, 1995	Irene	September 1, 1987	Tabor	June 1, 1987
Chancellor	March 1, 1994	Iroquois	March 1, 1992	Tea	September 1, 1990
Claire City	July 1, 1988	Isabel	April 1, 1989	Timber Lake	October 1, 1987
Claremont	March 15, 1995	Keystone	January 1, 1992	Toronto	October 1, 1995
Clear Lake	January 1, 1990	Kimball	February 1, 1994	Trent	September 1, 1991
Colman	July 1, 1993	Lake Andes	March 1, 1987	Tulare	April 28, 1995
Columbia	April 14, 1995	Lake City	October 1, 1994	Valley Springs	November 8, 1998
Conde	August 1, 1987	Lake Preston	January 1, 1990	Vermillion	January 1, 1987
Corona	December 6, 2000	Langford	January 1, 1988	Viborg	January 1, 2000
Crooks	January 22, 1995	Lead	January 1, 1987	Volga	November 9, 1995
Custer	January 1, 1987	Lebanon	August 1, 2000	Wagner	January 1, 2000
Davis	September 1, 1987	Lemmon	July 1, 1988	Wall	March 1, 1990
Deadwood	September 1, 1987	Lennox	February 4, 1995	Watertown	January 1, 1987
Delmont	August 1, 1987	Madison	January 1, 1987	Waubay	March 1, 1987
De Smet	April 1, 1990	Marion	January 1, 1988	Webster	April 1, 1987
Doland	January 1, 1991	Martin	April 1, 1987	Wessington	August 1, 1987
Draper	June 1, 1994	McIntosh	July 1, 1990	White	September 11, 1995
Dupree	October 15, 1995	McLaughlin	May 1, 1992	White Lake	July 20, 1995
Eagle Butte	August 1, 1988	Midland	September 1, 1987	Whitewood	May 1, 1987
Edgemont	May 1, 1987	Milbank	April 1, 1987	Wilmot	March 2, 1999
Egan	August 1, 1988	Miller	September 1, 1991	Worthing	December 1, 1987
Elkton	February 14, 1996	Mission	March 10, 2000	Yale	July 1, 1991
Eureka	April 23, 2001	Mission Hill	September 1, 1987		
Fairview	May 1, 1993	Mitchell	January 1, 1987		
Faith	April 1, 1989	Monroe	August 1, 1987		
Faulton	September 1, 1988	Montrose	February 2, 1995		
Flandreau	April 1, 1987	Mound City	May 1, 1989		
Florence	August 1, 1987	Murdo	July 1, 1987		
Fort Pierre	May 1, 1987	New Underwood	January 1, 1987		
Garden City	April 1, 1993	Newell	September 1, 1987		

County and Township Members & Enrollment Date

Counties

Aurora County	<i>March 1, 2001</i>
Bennett County	<i>May 1, 1997</i>
Brookings County	<i>January 1, 1988</i>
Brown County	<i>October 1, 1989</i>
Campbell County	<i>February 1, 1988</i>
Charles Mix County	<i>November 1, 1988</i>
Clark County	<i>May 1, 1988</i>
Clay County	<i>January 1, 1992</i>
Codington County	<i>January 1, 1990</i>
Custer County	<i>January 1, 1987</i>
Day County	<i>March 1, 1988</i>
Deuel County	<i>January 1, 1992</i>
Dewey County	<i>January 1, 1991</i>
Edmunds County	<i>November 1, 1992</i>
Fall River County	<i>July 23, 1995</i>
Faulk County	<i>January 1, 1997</i>
Grant County	<i>January 1, 1989</i>
Gregory County	<i>May 1, 1988</i>
Hand County	<i>December 1, 1990</i>
Harding County	<i>May 1, 1990</i>
Hughes County	<i>November 1, 1987</i>
Jones County	<i>November 1, 1992</i>

Kingsbury County	<i>January 1, 1991</i>
Lake County	<i>May 1, 1992</i>
Lawrence County	<i>December 1 1987</i>
Lyman County	<i>June 1, 1990</i>
McCook County	<i>October 1, 1988</i>
McPherson County	<i>January 1, 1996</i>
Meade County	<i>June 1, 1987</i>
Mellette County	<i>October 1, 1992</i>
Miner County	<i>November 1, 1988</i>
Minnehaha County	<i>July 1, 1993</i>
Moody County	<i>March 1, 1997</i>
Pennington County	<i>January 1, 1996</i>
Perkins County	<i>February 1, 1988</i>
Shannon County	<i>January 1, 1989</i>
Stanley County	<i>May 1, 1987</i>
Sully County	<i>January 1, 1988</i>
Union County	<i>July 1, 1987</i>
Ziebach County	<i>January 1, 1990</i>

Townships

Dixon Township	<i>March 5, 1998</i>
Highland Township	<i>July 7, 1995</i>
Lyons Township & Volunteer Fire Dept	<i>April 2, 2001</i>
Mapleton Township	<i>March 6, 1996</i>

Special District Members & Enrollment Date

Beadle County Conservation District	<i>June 1, 1994</i>	NorthWest South Dakota Regional Landfill Association	<i>February 1, 1996</i>
Bennett County Conservation District	<i>June 1, 1992</i>	Pennington County Fire Department	<i>February 26, 2000</i>
Bennett County Hospital	<i>June 1, 1997</i>	Planning & Development District III	<i>April 1, 1993</i>
Black Hills Council of Local Governments	<i>October 1, 1995</i>	Prairie Historical Society	<i>August 23, 1995</i>
Brown County Conservation District	<i>July 1, 1995</i>	Sioux Falls Airport Authority	<i>March 1, 1993</i>
Castlewood Community Ambulance	<i>March 27, 1998</i>	Southeastern Council of Governments	<i>January 1, 1996</i>
Castlewood Fire District	<i>March 27, 1998</i>	South Dakota Municipal League	<i>January 1, 1987</i>
Central Plains Water Development District	<i>January 1, 2000</i>	South Dakota Public Assurance Alliance	<i>October 1, 1991</i>
Central SD Enhancement District	<i>November 11, 2000</i>	Southern Missouri Recycling & Waste Management District	<i>January 22, 1995</i>
Claremont Community Fire Assoc.	<i>February 14, 2001</i>	Spearfish Emergency Ambulance Service	<i>July 10, 1996</i>
Codington County Conservation District	<i>January 1, 1995</i>	Spink County Conservation District	<i>July 1, 1992</i>
Columbia & Community Fire Association	<i>August 1, 1995</i>	Stanley County Conservation District	<i>August 21, 1993</i>
Custer Ambulance Service, Inc.	<i>January 1, 2001</i>	Sully County Conservation District	<i>July 1, 1992</i>
Dakota Dunes Community Improvement District	<i>October 1, 1993</i>		
Day County Conservation District	<i>July 1, 1995</i>		
Deuel County Conservation District	<i>July 1, 1990</i>		
Edgemont Ambulance District	<i>December 19, 1995</i>		
Edmunds County Conservation District	<i>April 14, 1988</i>		
Gregory County Conservation District	<i>July 1, 1992</i>		
Hamil-Clearfield/Keyapaha Conservation District	<i>July 1, 1992</i>		
Hamlin County Conservation District	<i>January 1, 1996</i>		
Hughes County Conservation District	<i>April 1, 1996</i>		
Keystone Ambulance Service	<i>April 1, 1996</i>		
Lake Cochrane Sanitary District	<i>December 12, 1994</i>		
Lead Deadwood Sanitary District	<i>January 1, 1993</i>		
Marshall County Conservation District	<i>July 1, 1992</i>		
Minnehaha County Conservation District	<i>June 1, 1994</i>		

Past Board of Trustees Members

Jim Antonen
1987 - 1989
City Manager, Vermillion

Gary Iverson
1995 - 1995
Commissioner, Clay County

Jack Lintz
1987 - 1994
Commissioner, Custer County

Edward McLaughlin
1991 - 1993
Mayor, Rapid City

Robert Miller
1987 - 1993
Executive Director, SDML

Robert Mullally
1988 - 1991
Personnel Director, Rapid City

Joan Renner
1987 - 1998
Finance Officer, Wall

Tim Rich
1987 - 1999
Mayor, Aberdeen

Robert Wagner
1987 - 1996
City Attorney, Watertown

Ray Woodsend
1987 - 1987
City Attorney, Rapid City

Vince Foley
1997 - 2000
City Attorney, Watertown

In Appreciation

The SDML Workers' Compensation Fund takes this opportunity to publicly thank its sponsoring organization the *South Dakota Municipal League*, for its foresight in creating a workers' compensation fund. Without the leadership of the League, the Fund would not be in existence today.

The primary goal of the SDML Worker's Compensation Fund and the South Dakota Municipal League is to provide quality service, stable contributions and practice good risk management. This long-standing partnership has been beneficial to the public entities of South Dakota.

SDML Workers' Compensation Fund

214 East Capitol Avenue

Pierre, South Dakota 57501

Telephone: 605.224.8654 Fax: 605.224.8655