Texas Municipal League
Intergovernmental Risk Pool

1821 Rutherford Lane, First Floor • Austin, Texas 78754 ★ P.O. Box 149194 • Austin, Texas 78714-9194

WORKERS' COMPENSATION INTERLOCAL AGREEMENT

This Contract and Interlocal Agreement is entered into by and between political subdivisions of this state (hereinafter referred to as "Employer Pool Members") to form a joint self-insurance pool to be named the Texas Municipal League Workers' Compensation Joint Insurance Fund (hereinafter referred to as the "Fund") for the purpose of providing the statutory benefits prescribed by Article 8309h of the Texas Workers' Compensation Act for employees of political subdivisions.

WITNESSETH:

The undersigned Employer Pool Member, in consideration of the adoption of a plan of self-insurance as authorized in Article 8309h, Vernon's Annotated Texas Statutes, to provide workers' compensation benefits at a minimum cost and in further consideration of other political subdivisions executing like Interlocal Agreements does hereby agree to become a self-insured workers' compensation employer by becoming one of the members of the Fund Pool of self-insured Employer Pool Members. The conditions of membership agreed upon by and between the parties are as follows:

1. Definitions of terms used in this Interlocal Agreement.

   a. **Board**. Refers to the Board of Trustees of the Texas Municipal League Workers' Compensation Joint Insurance Fund.

   b. **Premium and Contribution**. Are used interchangeably in some parts of the Interlocal Agreement. "Premium" is used to identify the rating formulas established by the State Board of Insurance, which are used as guidelines to establish Employer Pool Members' cash contribution to the Fund. Any reference at any time in this Interlocal Agreement to an insurance term not ordinarily a part of self-insurance shall be deemed for convenience only and is not to be construed as being contrary to the self-insurance concept except where the context clearly indicates no other possible interpretation such as, but not limited to, the reference to "reinsurance."

   c. **Manual Rates**. The basic workers' compensation rate applicable to each classification of employees promulgated by the State Board of Insurance or the Board of Trustees.

   d. **Experience Modifier**. Refers to the factor applied to the manual rates that reflects the political subdivision's loss experience, which is based on the State Board of Insurance promulgated experience rating plan.

   e. **Standard Rates**. Rates that are determined by applying the experience modifier of each individual Employer Pool Member to the manual rates.

   f. **Fund Modifier**. The percentage figure that is applied to the standard rates by the Fund to reflect the savings to the Employer Pool Member based on past loss experience.

   g. **Fund Year**. 12:01 a.m. October 1 through 12:01 a.m. the following October 1.

   h. **Agreement Period**. The continuous period since the Employer Pool Member first became a member of this Fund excluding, however, any period of time therein that the Employer Pool Member did not participate as a member of the Fund.

   i. **Retention Plan**. A plan promulgated by the Board where the Employer Pool Member may choose to retain part of the risk.

   j. **Reimbursable Retention**. The amount that was chosen by this Employer Pool Member to be applicable to the first monies paid by the Fund to effect judgment or settlement of any claim or suit. The Employer Pool Member, upon notification of the action taken, shall promptly reimburse the Fund for all or such part of the retention amount as has been paid by the Fund.

2. The Board of Trustees, acting through its agents and Fund staff, is responsible for the administration of all Fund business on behalf of the Employer Pool Members.

3. Statutory worker's compensation benefits are provided for paid employees of the Employer Pool Member only. The Employer Pool Member may extend statutory coverage to the following class or classes of volunteers by specific endorsement to the Interlocal Agreement: elected officials; volunteer firefighters; police reserves; volunteer ambulance/ems attendants; all inside volunteers; all outside volunteers. Provisions exist for reporting estimated annual payroll substitute figures which will be used to develop an annual contribution for this additional statutory coverage.

4. The term of this Agreement and the self-insurance provided to the Employer Pool Member shall be continuous commencing 12:01 a.m. on the date designated in this Agreement until terminated as provided below.

   This Agreement may be terminated by either party giving to the other sixty (60) days prior written notice of intent to terminate except the Employer Pool Member may terminate this Agreement and its statutory coverages thereunder without giving the sixty (60) days notice if the reason is because of a change by the Fund in the Employer Pool Member's contribution, provided that no termination by the Employer Pool Member shall be effective prior to the date that written notice of termination is actually received in the offices of the Texas Municipal League Workers' Compensation Joint Insurance Fund and provided further that the Employer Pool Member agrees to and shall pay the applicable premium and contribution for those coverages it is terminating until the date the notice of termination is actually received by the Fund.

   It is the intention of all the parties that the Member's statutory coverages under this Agreement shall remain if full force and effect from Fund Year to Fund Year, subject to the terms, conditions and limitations that the Fund may require to protect its solvency and to comply with reinsurance requirements, until notice of termination is given as herein provided. Realizing that the Employer Pool Member needs the earliest possible information concerning the contribution that will be required for any new Fund Year, the Fund will endeavor to provide this information as soon as possible before the beginning of each new Fund Year.

   The Fund will have the right to terminate this agreement only for non-compliance with Paragraphs 5, 7 and 10.

5. Annually, each Employer Pool Member shall submit to the Fund on a Premium Worksheet form supplied by the Fund, its estimated payroll for each classification of employee. In the event that the Employer Pool Member fails or refuses to submit the Premium Worksheet with estimated payrolls for each classification of employee by September 1, the Fund reserves the right to terminate such member by giving thirty (30) days written notice and to collect any and all contributions that are earned pro rata for the period preceding contract termination.

   To determine the annual contribution, the rate established by the Board of Trustees shall be used to arrive at a manual contribution. If the Employer Pool Member has established, through experience, a modifier, then the experience modification of the Employer Pool Member shall be used to arrive at the standard contribution to be paid by the Employer Pool Member. In the absence of an earned experience modification for the Employer Pool Member, the manual rate, as established by the Board of Trustees, in effect at the beginning of each Fund Year will be used as a guide to produce a manual, as well as a standard contribution. The Fund modifier, if applicable, shall then be applied to the standard contribution to produce the annual contribution that the Employer Pool Member shall pay to the Fund. The Employer Pool Member agrees to pay the annual contribution to the Fund in four (4) equal quarterly installments, in advance, commencing at the beginning of each Fund Year, with subsequent installments due at the first of each quarter thereafter. Employer Pool Members who elect a retention of $25,000 or more shall comply with the monthly payment schedule outlined to them in advance of assuming such retention. The Employer Pool Member agrees to promptly pay all reimbursable retentions upon receipt of statement. It is understood by the Employer Pool Member that there will be contribution adjustments based upon the increased benefit levels mandated by the Texas Workers' Compensation Act.

   At the end of each Fund Year, there shall be submitted by the Employer Pool Member actual payrolls as reflected by the books of the Employer Pool Member, and any additional amounts payable to the Fund based upon the actual payroll shall be paid, and lesser amounts payable shall be adjusted by refund to the Employer Pool Member. The Fund reserves the right to audit the payroll records of any Employer Pool Member. Annual field audits will be made on each Employer Pool Member with standard contributions estimated to exceed $50,000. A field audit will be made at least once every three (3) years on Employer Pool Members with standard contributions less than $50,000 annually.

   In the event that the Employer Pool Member fails or refuses to make payments of contributions as herein provided, the Fund reserves the right to terminate such Employer Pool Member by giving ten (10) days written notice and to collect any and all contributions that are earned pro rata for the period preceding contract termination.

6. The Fund shall maintain adequate protection from catastrophic losses to protect its financial integrity. The Employer Pool Member's contributions shall be limited to that amount as calculated under this Agreement.

Notwithstanding the provision of the foregoing paragraph, it is agreed the Board shall have the right to adjust the financial protection outlined above and/or amend such protection as it finds available or it deems necessary to maintain the fiscal soundness of the Fund at the beginning of or during any Fund Year.

7. The Fund will make available loss control services to the Employer Pool Members to assist them in following a plan of loss control that may result in reduced losses. The Employer Pool Member agrees that it will cooperate in instituting any and all reasonable safety regulations that may be recommended for the purpose of eliminating or minimizing hazards that would contribute to workers' compensation losses. In the event that the recommendations seem unreasonable, the Employer Pool Member has a right to appeal to the Board of Trustees. The Board shall hear the objections of the Employer Pool Member at its next regularly scheduled meeting and its decision will be final and binding on all parties. Any Employer Pool Member who does not agree to follow the decision of the Board shall be withdrawn from the Fund immediately.

8. The Employer Pool Member agrees that it will appoint a Workers' Compensation Contact of department head rank, and that the Fund shall not be required to contact any other individual except this one person. Any notice or agreements with the Workers' Compensation Contact shall be binding upon the Employer Pool Member. The Employer Pool Member reserves the right to change the contact from time to time by giving written notice to the Fund.

9. The Fund, through its staff and Contractors, agrees to handle any and all claims after notice of injury has been given, to prepare all required Texas Workers' Compensation Commission forms, and provide a defense. The Employer Pool Member hereby appoints the Fund staff and Contractors as its agents to act in all matters pertaining to processing and handling of workers' compensation claims and shall cooperate fully in supplying any information needed or helpful in such defense. The Fund shall be responsible for seeing that all negotiations are carried on with the injured employee and his attorney at the prehearing conference and the negotiations are within authority previously granted by the Fund. If a personal appearance by the employer or a co-employer or a co-employee is necessary, the expense of this appearance will be paid by the Employer Pool Member. With the advice and consent of the Fund, the Fund staff and Contractors will retain and supervise legal counsel on behalf of and at the expense of the Fund necessary for the prosecution of any litigation. All decisions in individual cases shall be made by the Fund through the Fund staff and Contractors, which includes the decision to appeal or not to appeal a Texas Workers' Compensation Commission's final ruling and decision. However, any Employer Pool Member shall have the right in any case involving one of its employees, to consult with the Fund on any decision made by the Fund staff or Contractors. The Board shall hear the objections of the Employer Pool Member at its next regularly scheduled meeting and its decision will be final and binding on all parties. Any suit brought or defended by the Fund shall be in the name of the political subdivision. Notwithstanding any provisions of this paragraph, all reports and filings required of any employer by the Workers' Compensation Law and the Texas Workers' Compensation Commission will be the responsibility of the Employer Pool Member. It is further understood that this Agreement does not cover discrimination suits under Article 8307c or its successor statute. There shall be supplied quarterly to each Employer Pool Member a computer printout involving a statement of claims, claims status, and activity report cumulative for each Fund Year.

10. The Employer Pool Member acknowledges that it has received a copy of the Bylaws of the Fund and agrees to abide by the Bylaws and any amendments thereto.

11. The Fund agrees that all Fund transactions will be annually audited by a nationally recognized certified public accounting firm.

12. The Fund is responsible for the filing of all necessary tax forms with the Internal Revenue Service.

13. As the administrators of the Fund, the Board shall primarily and consistently keep foremost in its deliberations and decisions in operating the Fund that each of the participating Employer Pool Members is a "self-insured." At least annually, the Board shall carefully review, study and consider the loss experience (including reserves for future claims payments) of each of the Employer Pool Members, the experience rating modification developed or earned by each of the Employer Pool Members, and the pro rata portion of the cost of all catastrophic loss protection reinsurance and aggregate stop loss reinsurance allocated to each Employer Pool Member as well as the pro rata allocation, as determined by the Board, of the other and necessary operating expenses of the Fund, in order to reasonably determine the actual pro rata cost, expense and loss experience of each Employer Pool Member in order to maintain as nearly as possible an equitable and reasonable "self-insurance" administration of the Fund as applied to each Employer Pool Member. Those Employer Pool Members who have an adverse loss development may be limited by the Board in their participation to a program involving retrospective contributions. Implementation of any retrospective program may only be by contract between the Fund and the member.

The Fund shall maintain case reserves and supplemental reserves computed in accordance with standard actuarial principles, taking into account historical and other data designed to measure claims development and claims incurred but not yet reported, so the Fund will be able to meet these claims as they become due. The Fund may also establish, to the extent that uncommitted resources are available, a Reserve for Return of Contributions to further ensure the fiscal integrity of the Fund in the event of adverse loss development.

The Fund shall annually determine the amount of excess contributions and other income, if any, that may be available for distribution to current Fund members.

If excess and/or aggregate reinsurance is not available the Fund reserves the right to retain a portion of the excess contributions for self-funding such excess and/or aggregate protection.

TO BE COMPLETED BY MEMBER:

EMPLOYER MEMBERS' FUND CONTACT (See Section 8):

Member Name _____

Name of Contact _____ Title _____

Mailing Address _____

Street Address (if different from above) _____

City _____ Zip _____ Phone _____

_____
SIGNATURE OF AUTHORIZED MEMBER OFFICIAL

_____ _____
Title Date

Member's Federal Tax I.D. Number __ __ - __ __ __ __ __ __ __
This Information is MANDATORY

TO BE COMPLETED BY FUND: (OFFICE USE ONLY)

Effective Date of This Agreement _____

Member Name _____

Contract Number _____

_____
SIGNATURE OF AUTHORIZED FUND OFFICIAL

_____ _____
Title Date