

## **SPECIAL PURPOSE EXAMINATION OF THE RECORDS OF INSURANCE EXPENDITURES OF THE CITY OF LEXINGTON FOR THE PERIOD JULY 1, 1991, THROUGH DECEMBER 31, 1999**

We have completed our special purpose examination of the records of expenditures for insurance of the City of Lexington for the period July 1, 1991, through December 31, 1999. However, when the examination warranted, this scope was expanded. During the period of our examination, the city purchased most of its insurance from the Tennessee Municipal League Risk Management Pool (TML Pool). A local business, Marcum Insurance Agency, acted for and on behalf of the city, administering policies issued by the TML Pool. As agency for the city, Marcum Insurance Agency had a fiduciary responsibility to remit TML Pool invoices to the city **unaltered**. The city was to pay the agency the amount of the TML Pool-determined premium, as adjusted by TML Pool for member dividends or other applicable credits. The premium included the agency's commission which was established by TML Pool. The agency was then to pay TML Pool the amount of the premium less the agency's commission. However, in July 1998, city officials agreed to accept the agency's bid to administer the city's insurance policies for a flat fee of \$3,000 per year.

Our examination revealed the agency apparently overcharged the city at least \$451,671.92 for the period September 1990 through August 2000. Having occurred, the overcharges remained undetected because the TML Pool only provided original invoices to the agency. The overcharges were accomplished by several methods summarized as follows and illustrated in Exhibits 1a-5b in the Appendix:

1. The agency altered invoices from TML Pool before sending them to the city. The inflated amount invoiced by the agency represented a substantial increase in several instances.
2. Premium refund checks were sent to the agency by TML Pool. Each check was made payable to either the agency or the city. The agency deposited these checks into a business bank account. However, we were unable to locate corresponding credits or refund payments issued to the city by the agency.
3. In at least one instance, the agency charged the city twice for the same insurance coverage.
4. In some instances, the agency did not apply premium credits.

5. In at least one instance, the agency charged a premium for policy changes made by the TML Pool at no charge.

According to the agency's owner, Mr. Ray Marcum, the additional charges were for work performed for the city related to the insurance policies. However, Mr. Marcum also stated that no one at the city was aware of the additional charges.

We reviewed the minutes of the meetings of the mayor and board of aldermen for the period June 3, 1986, through February 22, 2000. We did not find any authorization for the additional charges noted in the minutes. In addition, we reviewed all correspondence files of the city for the period January 1, 1981, through February 1, 2000. We did not find any correspondence authorizing the overcharges.

We interviewed both the current and former mayor, as well as the members of both the current and former board of aldermen. According to these officials, none of them authorized the additional charges.

The matter described above has been referred to the local district attorney general and the United States Attorney–Western District of Tennessee.

**SPECIAL PURPOSE EXAMINATION OF THE RECORDS OF INSURANCE  
EXPENDITURES OF THE LEXINGTON ELECTRIC SYSTEM  
FOR THE PERIOD JULY 1, 1991, THROUGH DECEMBER 31, 1999**

We have completed our special purpose examination of the records of insurance expenditures of the Lexington Electric System (LES) for the period July 1, 1991, through December 31, 1999. During the period of our examination, LES purchased certain insurance coverage from several companies. Marcum Insurance Agency acted as agent for the electric system and administered the policies and claims processing for the system.

Our examination revealed that the agency apparently overcharged LES a total of \$26,337 as follows:

1. During the period February 13, 1996, through May 21, 1999, Willis Corroon (insurance broker) issued five checks made payable to Marcum Insurance Agency totaling \$18,173.63, representing refunds on various policies purchased by LES. The agency deposited these checks into a business bank account. However, we were unable to locate corresponding credits or refund payments issued to LES by the agency. In addition, the agency also apparently failed to remit \$1,048.37 in commissions associated with those refunds.
2. In July 1991 the agency submitted an invoice for \$45,994 for renewal of a workers compensation policy. According to documents from the insurance provider, the gross premium on that policy, including commission, was \$38,879. This indicates an overcharge of \$7,115.

The above matter has been referred to the local district attorney general and the United States Attorney–Western District of Tennessee.

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**SPECIAL PURPOSE EXAMINATION OF THE RECORDS  
OF INSURANCE EXPENDITURES OF THE TOWN OF SARDIS  
FOR THE PERIOD JANUARY 1, 1993, THROUGH AUGUST 31, 2000**

We have completed our special purpose examination of the records of insurance expenditures of the Town of Sardis for the period January 1, 1993, through August 31, 2000. During the period of our examination, the town purchased insurance from the Tennessee Municipal League Risk Management Pool (TML Pool). A local business, Marcum Insurance Agency, acted for and on behalf of the town, administering policies issued by the TML Pool. As agency for the town, Marcum Insurance Agency had a fiduciary responsibility to remit TML Pool invoices to the town **unaltered**. The town was to pay the agency the amount of the TML Pool-determined premium, as adjusted by TML Pool for member dividends or other applicable credits. The premium included the agency's commission established by TML Pool. The agency was then to pay TML Pool the amount of the premium less the agency's commission.

Our examination revealed that during the period of our examination, the agency apparently overcharged the town \$2,714.51. Having occurred, the overcharges remained undetected because the TML Pool only provided original invoices to the agency. The overcharges were accomplished in the following three ways:

1. It appears that the agency overbilled and collected the amount of the member dividend credit for the town's TML Pool liability insurance for 1996, 1997, and 1998, and the member dividend credit for the town's TML Pool property insurance for 1998 and 2000. Apparently, on those invoices which exhibited overbilling, the agency charged the town the total amount of the premium without giving the dividend credit. The declaration page sent by TML Pool to the agency and usually forwarded to the town by the agency showed the total amount of the premium. The dividend credit was recognized on a separate TML Pool invoice to the agency which was apparently not given to the town. The agency prepared an invoice for the town which did not show the dividend credit. The total amount of the unapplied credits was \$2,079.51.
2. The agency apparently overcharged the town \$100 for property insurance in both 1993 and 1994. Again, the documentation on file at the town did not include any statement of the premium information from TML Pool.
3. The town added errors and omissions liability coverage in March 1994, paying separately for the coverage for a six-month term until the next renewal date for the

remainder of the town's liability coverage. However, the agency apparently did not send the town a complete TML Pool invoice and charged the town for a full year's coverage, overbilling and collecting an additional \$435 to which the agency was not entitled.

The apparent overcharge for the period of our examination, detailed below, totaled \$2,714.51.

		<b>Amount Charged/Paid</b>	<b>Correct Amount</b>	<b>Difference/Overcharge</b>
1993 Property	08/21/93	\$2,528.00	\$2,428.00	\$ 100.00
1993 Errors/Omissions	04/04/94	863.00	428.00	435.00
1994 Property	07/09/94	2,593.00	2,493.00	100.00
1996 Liability	11/04/96	2,290.00	1,802.58	487.42
1997 Liability	10/01/97	2,339.00	2,000.82	338.18
1998 Liability	09/13/98	2,469.00	1,612.38	856.62
1998 Property	07/25/98	3,081.00	2,939.71	141.29
2000 Property	08/01/00	2,511.00	2,255.00	<u>256.00</u>
		<b>Total Overcharge</b>		<u><b>\$2,714.51</b></u>

The matter described above has been referred to the local district attorney general and the United States Attorney–Western District of Tennessee.

**SPECIAL PURPOSE EXAMINATION OF THE RECORDS OF  
INSURANCE EXPENDITURES OF THE  
HENDERSON COUNTY RESCUE SQUAD  
FOR THE PERIOD JULY 1, 1991, THROUGH JUNE 30, 2000**

We have completed our special purpose examination of insurance expenditures of the Henderson County Rescue Squad for the period July 1, 1991, through June 30, 2000. The Henderson County Rescue Squad purchased insurance coverage from the Steve Frost Agency. A local insurance agent, Marcum Insurance Agency, administered the policies for the Henderson County Rescue Squad and the Steve Frost Agency. Our examination disclosed that Marcum Insurance Agency inappropriately obtained \$15,210 from the Henderson County Rescue Squad.

The Henderson County Rescue Squad and the county fire department were provided property, automobile, and general liability coverage through policies obtained by Marcum Insurance Agency through the Steve Frost Agency. Each policy provided coverage for both the rescue squad and county fire department. The county did not receive billings for this insurance directly from the Steve Frost Agency. The Steve Frost Agency sent billings to Marcum Insurance Agency which prepared another invoice for submission to Henderson County for the entire amount due on these policies. Henderson County officials knowingly remitted payment for both the rescue squad and the county fire department. However, without the knowledge of Henderson County officials, Marcum Insurance Agency prepared additional invoices and submitted those to the Henderson County Rescue Squad, purportedly for its portion of the insurance premium, and retained the excess payments from the rescue squad. These excess payments totaled \$15,210 during the period examined.

This matter has been referred to the local district attorney general and the United States Attorney–Western District of Tennessee.

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## **SPECIAL PURPOSE EXAMINATION OF THE RECORDS OF INSURANCE EXPENDITURES OF HENDERSON COUNTY FOR THE PERIOD JULY 1, 1991, THROUGH JULY 31, 2000**

We have completed our special purpose examination of insurance expenditures of Henderson County for the period July 1, 1991, through July 31, 2000. Henderson County purchased insurance coverage from the Local Government Insurance Pool. A local insurance agent, Marcum Insurance Agency, administered the policies for Henderson County and the Insurance Pool.

Our examination disclosed that Marcum Insurance Agency inappropriately obtained \$226,218.41 from Henderson County. The total amount inappropriately obtained from Henderson County was comprised of overbillings of \$164,348.41 and refunds of \$61,870.00 retained by Marcum Insurance Agency. The two methods Marcum Insurance Agency used to inappropriately obtain funds from Henderson County are summarized below:

1. Marcum Insurance Agency received billings for Henderson County from the Local Government Insurance Pool and the Steve Frost Agency. These billings showed what Henderson County's premium should be, including the agency's commission. Henderson County did not receive a copy of these billings directly from the Local Government Insurance Pool or the Steve Frost Agency. Marcum Insurance Agency prepared another invoice for Henderson County that reflected a higher premium than the Local Government Insurance Pool's invoice or the Steve Frost Agency's invoice. As an agency for the county, Marcum Insurance Agency had a fiduciary responsibility to remit Local Government Insurance Pool and Steve Frost Agency invoices to the county **unaltered**. Henderson County paid Marcum Insurance Agency the higher insurance premium. The Marcum Insurance Agency then sent to the Local Government Insurance Pool and the Steve Frost Agency the amount billed by the pool and the agency, and Marcum Insurance Agency then retained the excess amount billed. For the fiscal years 1991 through 1997, Marcum Insurance Agency billed and collected \$1,186,560.00 from Henderson County. However, the actual amount billed by the Local Government Insurance Pool, including the agency's commission, totaled \$1,022,211.59, resulting in an overbilling to Henderson County of \$164,348.41.
  
2. The Local Government Insurance Pool and the Steve Frost Agency refunded monies to Henderson County resulting from premium adjustments or adjustments in coverage. The Local Government Insurance Pool and the Steve Frost Agency sent

these refunds to Marcum Insurance Agency to remit to Henderson County with instructions that any applicable commissions earned would be added to the remittance. However, Marcum Insurance Agency retained both the premium and commission that should have been refunded to Henderson County. Refunds of premiums and commissions that Marcum Insurance Agency retained instead of paying to the county totaled \$61,870.00.

These matters have been referred to the local district attorney general and the United States Attorney–Western District of Tennessee.

## APPENDIX

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## SUMMARY OF APPLICABLE STATUTES

Title 18, *United States Code*, § 666, states:

### **Theft or bribery concerning programs receiving Federal funds**

- (a) Whoever, if the circumstance described in subsection (b) of this section exists—
  - (1) being an agent of an organization, or of a State, local, or Indian tribal government, or any agency thereof—
    - (A) embezzles, steals, obtains by fraud, or otherwise without authority knowingly converts to the use of any person other than the rightful owner or intentionally misapplies, property that—
      - (i) is valued at \$5,000 or more, and
      - (ii) is owned by or is under the care, custody, or control of such organization, government, or agency . . . shall be fined under this title, imprisoned not more than 10 years, or both.
- (b) The circumstance referred to in subsection (a) of this section is that the organization, government, or agency receives, in any one year period, benefits in excess of \$10,000 under a Federal program involving a grant, contract, subsidy, loan, guarantee, insurance, or other form of Federal assistance.

Title 18, *United States Code*, § 1341, states:

### **Frauds and swindles**

Whoever, having devised or intending to devise any scheme or artifice to defraud, or for obtaining money or property by means of false or fraudulent pretenses, representations, or promises, or to sell, dispose of, loan, exchange, alter, give away, distribute, supply, or furnish or procure for unlawful use any counterfeit or spurious coin, obligation, security, or other article, or anything represented to be or intimated or held out to be

such counterfeit or spurious article, for the purpose of executing such scheme or artifice or attempting so to do, places in any post office or authorized depository for mail matter, any matter or thing whatever to be sent or delivered by the Postal Service, or deposits or causes to be deposited any matter or thing whatever to be sent or delivered by any private or commercial interstate carrier, or takes or receives therefrom, any such matter or thing, or knowingly causes to be delivered by mail or such carrier according to the direction thereon, or at the place at which it is directed to be delivered by the person to whom it is addressed, any such matter or thing, shall be fined under this title or imprisoned not more than five years, or both. If the violation affects a financial institution, such person shall be fined not more than \$1,000,000 or imprisoned not more than 30 years, or both.

Section 39-14-103, *Tennessee Code Annotated*, states:

A person commits theft of property if, with intent to deprive the owner of property, the person knowingly obtains or exercises control over the property **without the owner's effective consent**. (Emphasis added)

Section 39-14-114, *Tennessee Code Annotated*, states:

- (a) A person commits an offense who forges a writing with intent to defraud or harm another.
- (b) As used in this part, unless the context otherwise requires:
  - (1) "Forge" means to:
    - (A) Alter, make, complete, execute to authenticate any writing so that it purports to:
      - (i) Be the act of another who did not authorize that act . . .

## CITY OF LEXINGTON EXHIBITS

The exhibits include five separately numbered examples of instances in which Marcum Insurance Agency apparently collected and retained amounts not due the agency.

Exhibits 1 through 4 illustrate inflated billing by the agency:

- ◆ The "a" page of each exhibit is a copy of the original invoice prepared by TML Pool showing the correct amount due.
- ◆ the "b" page of each exhibit is a copy of the apparently inflated invoice sent to the city by Marcum Insurance Agency and paid by the city.

Exhibit 5 is an example of a refund due but apparently not paid or credited to the city:

- ◆ "5a" is a copy of the invoice from TML Pool showing a refund due the city.
- ◆ "5b" is a copy of the related refund check which apparently was not paid or credited to the city.

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# TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

Exhibit 1a

5100 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027

## WORKERS COMPENSATION AND EMPLOYERS LIABILITY PREMIUM AUDIT

### AUDIT INFORMATION PAGE

<b>Policy Number</b> TWC- 0349-95	<b>Audited Policy Period</b> From 6/17/94 To 6/17/95
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**INSURED**  
LEXINGTON, CITY OF  
P.O. BOX 87  
LEXINGTON, TN 38351

**AGENT**  
MARCUM INSURANCE AGENCY  
P.O. BOX 1000  
LEXINGTON, TN 38351

The audited policy period is from 6/17/94 to 6/17/95 12:01 A.M. Standard Time at the Insured's mailing address.

THE PREMIUM FOR THIS POLICY IS DETERMINED BY THE TML RISK MANAGEMENT POOL RULES, CLASSIFICATIONS, RATES, AND RATING PLANS. ALL INFORMATION IDENTIFIED BELOW IS THE RESULT OF VERIFICATION AND CHANGE BY AUDIT. THIS IS THE ANNUAL PREMIUM ADJUSTMENT FOR THE REFERENCED POLICY PERIOD.

SEE ATTACHED SCHEDULE	
MANUAL PREMIUM	\$125,369
EXPERIENCE MODIFICATION	1.05
	\$131,637
SCHEDULE MODIFICATION	0.95
	\$125,055
OTHER PREMIUM ADJUSTMENT	1.00
	\$125,055
<b>TOTAL AUDITED PREMIUM</b>	<b>\$125,055</b>
PREMIUM PREVIOUSLY CHARGED	\$114,024
<b>TOTAL DUE</b>	<b>\$11,031</b>



Correct invoice amount per TML

AUDDEC94.XLS

AUDIT INFORMATION PAGE

10/31/95  
Print from scanned files. TML/AMP 6/19/00 Dec

# TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

5100 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027

## WORKERS COMPENSATION AND EMPLOYERS LIABILITY PREMIUM AUDIT

### AUDIT INFORMATION PAGE

<b>Policy Number</b> TWC- 0340-95	<b>Audited Policy Period</b> From 6/17/94 To 6/17/95
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**INSURED**

**LEXINGTON, CITY OF**

**P.O. BOX 87**

**LEXINGTON, TN 38351**

**AGENT**

**MARCUM INSURANCE AGENCY**

**P.O. BOX 1000**

**LEXINGTON, TN 38351**

The audited policy period is from 6/17/94 to 6/17/95 12:01 A.M. Standard Time at the insured's mailing address

THE PREMIUM FOR THIS POLICY IS DETERMINED BY THE TML RISK MANAGEMENT POOL RULES, CLASSIFICATIONS, RATES, AND RATING PLANS. ALL INFORMATION IDENTIFIED BELOW IS THE RESULT OF VERIFICATION AND CHANGE BY AUDIT. THIS IS THE ANNUAL PREMIUM ADJUSTMENT FOR THE REFERENCED POLICY PERIOD.

SEE ATTACHED SCHEDULE	
MANUAL PREMIUM	\$125,368
EXPERIENCE MODIFICATION	<u>1.05</u>
	\$131,637
SCHEDULE MODIFICATION	<u>1.18</u>
	\$156,422
OTHER PREMIUM ADJUSTMENT	<u>.96</u>
	\$150,165
<b>TOTAL AUDITED PREMIUM</b>	<u>\$150,165</u>
PREMIUM PREVIOUSLY CHARGED	<u>\$131,125</u>
<b>TOTAL DUE</b>	<u>\$19,040 (corrected)</u>



Apparent  
inflated invoice  
amount sent to  
city

# TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

5100 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027

## WORKERS COMPENSATION AND EMPLOYERS LIABILITY POLICY

Policy Number  
**TWC- 0349-98**

### DECLARATIONS

Renl/Rewrite of  
**TWC- 0349-97**

**ITEM 1. INSURED**

LEXINGTON, CITY OF

P O BOX 87

LEXINGTON, TN 38351

**AGENT**

MARCUM INSURANCE AGENCY

P O BOX ~~1000~~ 1669

LEXINGTON, TN 38351

**ITEM 2. COVERAGE PERIOD** From 6/17/97 To 6/17/98 12:01 A.M. Standard Time at Insured's Mailing Address

**ITEM 3A. WORKERS COMPENSATION COVERAGE** Section One of the Policy applies to the Workers Compensation Law of the State of Tennessee.

**ITEM 3B. EMPLOYERS LIABILITY COVERAGE** Section Two of the Policy applies to work in each state listed in Item 3A.

**THE LIMITS OF OUR LIABILITY UNDER SECTION TWO ARE**

BODILY INJURY BY ACCIDENT	\$130,000 EACH ACCIDENT
BODILY INJURY BY DISEASE	\$350,000 POLICY LIMIT
BODILY INJURY BY DISEASE	\$130,000 EACH EMPLOYEE

**ITEM 3C. OTHER STATES COVERAGE** Section Three of the Policy applies to the states, if any, listed here All states except NV, ND, WA, WV, WY, OH, ME and those listed in 3A.

**ITEM 4. FORMS, SCHEDULES, AND ENDORSEMENTS APPLICABLE TO ALL COVERAGE PARTS**

Workers Compensation Schedule  
Voluntary Compensation Medical Coverage Endorsement

AA

**ITEM 5.** In return for the payment of premium and subject to all of the terms of the policy, the TML Risk Management Pool agrees to provide you with the coverages reflected on the attached schedule. Adjustment of premium will be made annually by physical audit after the expiration of this policy period.

MANUAL PREMIUM	\$129,958
INCREASED LIMIT FACTOR	1.000
	\$129,958
EXPERIENCE MODIFICATION	1.02
	\$132,557
SCHEDULE MODIFICATION	0.87
	\$115,325
OTHER PREMIUM ADJUSTMENT	1.00
	\$115,325
<b>TOTAL ESTIMATED POLICY PREMIUM</b>	<b>\$115,325</b>



Correct invoice amount per TML

# TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT

5100 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027

## WORKERS COMPENSATION AND EMPLOYERS LIABILITY POLICY

Policy Number  
**TWC- 0349-98**

### DECLARATIONS

Renl/Rewrite of  
**TWC- 0349-97**

**ITEM 1. INSURED**

LEXINGTON, CITY OF  
P O BOX 87  
LEXINGTON, TN 38351

**AGENT**

MARCUM INSURANCE AGENCY  
P O BOX ~~1000~~ 1669  
LEXINGTON, TN 38351

**ITEM 2. COVERAGE PERIOD** From 6/17/97 To 6/17/98 12:01 A.M. Standard Time at Insured's Mailing Address

**ITEM 3A. WORKERS COMPENSATION COVERAGE** Section One of the Policy applies to the Workers Compensation Law of the State of Tennessee.

**ITEM 3B. EMPLOYERS LIABILITY COVERAGE** Section Two of the Policy applies to work in each state listed in Item 3A.

**THE LIMITS OF OUR LIABILITY UNDER SECTION TWO ARE**

BODILY INJURY BY ACCIDENT	\$130,000 EACH ACCIDENT
BODILY INJURY BY DISEASE	\$350,000 POLICY LIMIT
BODILY INJURY BY DISEASE	\$130,000 EACH EMPLOYEE

**ITEM 3C. OTHER STATES COVERAGE** Section Three of the Policy applies to the states, if any, listed here. All states except NV, ND, WA, WV, WY, OH, ME and those listed in 3A.

**M 4. FORMS, SCHEDULES, AND ENDORSEMENTS APPLICABLE TO ALL COVERAGE PARTS**

Workers Compensation Schedule  
Voluntary Compensation Medical Coverage Endorsement

**ITEM 5.** In return for the payment of premium and subject to all of the terms of the policy, the TML Risk Management Pool agrees to provide you with the coverages reflected on the attached schedule. Adjustment of premium will be made annually by physical audit after the expiration of this policy period.

MANUAL PREMIUM	\$129,958
INCREASED LIMIT FACTOR	<u>1.000</u>
	\$129,958
EXPERIENCE MODIFICATION	<u>1.02</u>
	\$132,557

A

MARCUM INSURANCE AGENCY, INC.

MAY 27 1997  
LEXINGTON TENNESSEE

Altered invoice sent to city omitting modification reduction

**TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL**

5100 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027

**REVISED  
WORKERS COMPENSATION AND EMPLOYERS LIABILITY PREMIUM AUDIT**

**AUDIT INFORMATION PAGE**

Policy Number	Audited Policy Period
TWC- 0349-96	From 6/17/95 To 6/17/96

**INSURED**

LEXINGTON, CITY OF

P O BOX 87

LEXINGTON, TN 38351

**AGENT**

MARCUM INSURANCE AGENCY

P O BOX 1000

LEXINGTON, TN 38351

The audited policy period is from 6/17/95 to 6/17/96 12:01 A.M. Standard Time at the insured's mailing address.

THE PREMIUM FOR THIS POLICY IS DETERMINED BY THE TML RISK MANAGEMENT POOL RULES, CLASSIFICATIONS, RATES, AND RATING PLANS. ALL INFORMATION IDENTIFIED BELOW IS THE RESULT OF VERIFICATION AND CHANGE BY AUDIT. THIS IS THE ANNUAL PREMIUM ADJUSTMENT FOR THE REFERENCED POLICY PERIOD.

SEE ATTACHED SCHEDULE	
MANUAL PREMIUM	\$127,861
EXPERIENCE MODIFICATION	1.02
	\$130,418
SCHEDULE MODIFICATION	0.95
	\$123,897
OTHER PREMIUM ADJUSTMENT	1.00
	\$123,897
<b>TOTAL AUDITED PREMIUM</b>	<b>\$123,897</b>
PREMIUM PREVIOUSLY CHARGED	\$108,921
<b>TOTAL DUE</b>	<b>\$14,976</b>



Correct invoice amount per TML

AUDEC95.XLS

AUDIT INFORMATION PAGE

10/18/96

*Printed from scanned files.*

**COPY**

*TMLRMP 6/18/00*

TENNESSEE MUNICIPAL LEAGUE RISK MANAGEMENT POOL

5100 MARYLAND WAY  
BRENTWOOD, TENNESSEE 37027

WORKERS COMPENSATION AND EMPLOYERS LIABILITY PREMIUM AUDIT

AUDIT INFORMATION PAGE

Policy Number	Audited Policy Period
TWC- 0349-96	From 6/17/95 To 6/17/96

INSURED

LEXINGTON, CITY OF  
P O BOX 87  
LEXINGTON, TN 38351

AGENT

MARCUM INSURANCE AGENCY  
P O BOX 1000  
LEXINGTON, TN 38351

The audited policy period is from 6/17/95 to 6/17/96 12:01 A.M. Standard Time at the insured's mailing address.

THE PREMIUM FOR THIS POLICY IS DETERMINED BY THE TML RISK MANAGEMENT POOL RULES, CLASSIFICATIONS, RATES, AND RATING PLANS. ALL INFORMATION IDENTIFIED BELOW IS THE RESULT OF VERIFICATION AND CHANGE BY AUDIT. THIS IS THE ANNUAL PREMIUM ADJUSTMENT FOR THE REFERENCED POLICY PERIOD.

*10/21/96  
Relating audit  
to See Used City #*

SEE ATTACHED SCHEDULE	
MANUAL PREMIUM	147,085.
EXPERIENCE MODIFICATION	<u>1.02</u>
SCHEDULE MODIFICATION	<u>1.00</u>
OTHER PREMIUM ADJUSTMENT	<u>=0=</u>
TOTAL AUDITED PREMIUM	<u><u>150,027.</u></u>
PREMIUM PREVIOUSLY CHARGED	<u>129,255.</u>
TOTAL DUE	<u><u>20,772.</u></u>

*Agent's  
copy*



Apparent inflated invoice amount sent to city

*10/23/96*



RISK • MANAGEMENT • POOL

Exhibit 4a

R  
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TML RISK MANAGEMENT POOL  
LIABILITY  
PO BOX 307140  
NASHVILLE, TN 37230-7140

INVOICE NUMBER: 9920633-IN  
INVOICE DATE: 12/11/98

(800) 624-9698

CUSTOMER NO: 20-0106620  
LOCATION CODE: 5641

LEXINGTON, CITY OF  
MARCUM INSURANCE AGENCY INC

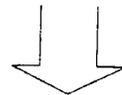
PO BOX 1669  
LEXINGTON

TN 38351

AGENT NUMBER: 1770

CODE	COVERAGE	AMOUNT
23C	GENERAL LIABILITY	37,912.00
26C	LAW ENFORCEMENT LIABILITY	22,556.00
25C	ERRORS & OMISSIONS LIABILITY	3,524.00
33C	AUTOMOBILE LIABILITY	29,007.00
43C	AUTO PHYSICAL DAMAGE	15,474.00
98L	AGENT'S COMMISSION - FEE BASIS	.00
DCL	MEMBER DIVIDEND CREDIT - LIA	16,847.62-
	POLICY #TML-0299-00	
	RENEWAL 11-15-97/00	
	EFFECTIVE 11-15-98/99	

Correct invoice  
amount per  
TML



INVOICE TOTAL: 91,625.38

23

FINANCE CHARGES ON THIS INVOICE ACCRUE AT 1.0% PER MONTH; 45 DAYS AFTER LATER OF INV. OR POLICY DATE.

**COPY**  
TmlEmp 6/19/00



RISK • MANAGEMENT • POOL

Exhibit 4b

R  
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TML RISK MANAGEMENT POOL  
LIABILITY  
PO BOX 307140  
NASHVILLE, TN 37230-7140

INVOICE NUMBER: 9920633-IN  
INVOICE DATE: 12/11/98

LEXINGTON, CITY OF  
MARCUM INSURANCE AGENCY INC

CUSTOMER NO: 20-0106620  
LOCATION CODE: 5641

PO BOX 1669  
LEXINGTON

TN 38351

AGENT NUMBER: 1770

CODE	COVERAGE	AMOUNT
23C	GENERAL LIABILITY	37,912.00
26C	LAW ENFORCEMENT LIABILITY	22,556.00
25C	ERRORS & OMISSIONS LIABILITY	3,524.00
33C	AUTOMOBILE LIABILITY	29,007.00
43C	AUTO PHYSICAL DAMAGE	15,474.00
98L	AGENT'S COMMISSION - FEE BASIS	.00

POLICY #TML-0299-00

RENEWAL 11-15-97/00  
EFFECTIVE 11-15-98/99

Altered invoice sent to city  
omitting member dividend  
credit and invoice total



RISK • MANAGEMENT • POOL

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TML RISK MANAGEMENT POOL  
WORKERS' COMPENSATION  
PO BOX 307142  
NASHVILLE, TN 37230-7142

INVOICE NUMBER: 9910740-CM  
INVOICE DATE: 09/24/98

(800) 624-9698

CUSTOMER NO: 10-0106620  
LOCATION CODE: 5641

LEXINGTON, CITY OF  
MARCUM INSURANCE AGENCY INC

PO BOX 1669  
LEXINGTON

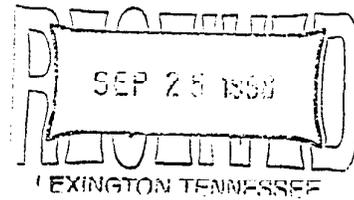
TN 38351

AGENT NUMBER: 1770

CODE	COVERAGE	AMOUNT
13A	PREMIUM AUDIT - WCP	6,349.00-
98W	AGENT'S COMMISSION - WCP	317.45
	POLICY #TWC-0349-98	
	AUDIT 6-17-97/98	

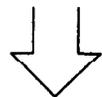
*Put in file  
Did not inv. Cr.  
listed ck as bonus.  
10-1-98*

MARCUM INSURANCE AGENCY, INC.



Document  
from agency  
files

Refer to check  
(Exhibit 5b)



INVOICE TOTAL: 6,031.55-

