

Minutes
Tennessee School Boards Risk Management Trust Meeting
Friday, February 16, 2004

The trustees of the Risk Management Trust met at the Sheraton Downtown Nashville on Friday, February 16, 2004. Chairman Patricia Gruenewald called the meeting to order at 4:00 p.m. The trustees present were David Jones, Dawn Robinson, Mark Farley, Gloria Sweet-Love, Robert Stidham, Dr. Darryl Deason, Dr. Gordon Morris and Dr. Dan Tollett. Also in attendance were Tammy Grissom, Kristi Coleman, and Cindy Smith all members of the TSBA staff, and John Evans and Jeff Mathis of Next Generation Underwriters. Absent was: Tony Tucker.

Ms. Gruenewald welcomed the trustees and specifically welcomed recently appointed trustee Mark Farley again and the board of trustees. Then, she requested adoption of the agenda and approval of the minutes.

ROBINSON/LOVE

Motion to adopt the agenda and approve the minutes. **CARRIED.**

Overview of Meeting

Ms. Gruenewald relinquished the floor to Dr. Dan Tollett, Trust Administrator. Dr. Tollett welcomed Jeff Mathis with Next Generation Underwriters. He gave an overview of the meeting and outlined the issues where action would need to be taken. Dr. Tollett announced that dinner would be served for the trustees and their guests in the Pinnacle Restaurant at 6:00 p.m.

Financial Report

Kristi Coleman presented the financial report as of December 31, 2003. She noted that the projection for losses incurred has been updated to reflect the addition of new members since the beginning of the fiscal year. The actuary will begin to provide updates for this projection throughout the year rather than on an annual basis to ensure that losses are more accurately reflected in quarterly financial statements. As a result of this change and overall expenses, there is a net loss of 615,394.00 for the fiscal year to date. However, based on current projections, the Trust should end the year with a positive net income.

Investment Report.

Ms. Coleman presented the investment report as of December 31, 2003. She used graphs and charts to show the success of each of the portfolio managers. She reported that investment for the year has not met the projections. Based on current market conditions, the portfolios are each performing well against their respective benchmark and are poised to take advantage of an increase in interest rates.

SWEET-LOVE/DEASON

Motion to approve the financial report. **CARRIED**

MORRIS/ROBINSON

Motion to approve the investment report. **CARRIED.**

Membership Policy

Dr. Dan Tollett recommended deleting Policy 1.6 in its entirety and amending it to read:

Only school boards holding membership in the Tennessee School Boards Association are permitted to participate in the Tennessee School Boards Risk Management Trust. Any city or county government or related governmental entity whose school board is a member of the Tennessee School Boards Risk Management Trust is eligible to participate in the trust as long as its board continues membership in the trust.

A participating school board will cease to qualify upon termination of its membership in the Tennessee School Boards Association.

A program or school operated or jointly operated by a member school board is eligible for participation in the trust. A program, school or entity not operated directly by a trust member school board must be an associate member of TSBA to be eligible for membership in the trust. Each associate member will be assessed a management fee which will include an associate membership fee.

Discussion ensued.

JONES/STIDHAM

Motion to amend and adopt Policy 1.6 as proposed. **CARRIED.**

Dr. Tollett informed the trustees that all policies need to be changed and will be presented to them for action at the next meeting when there is more time to discuss the changes.

Marketing Report

John Evans of Next Generation Underwriters, Inc. explained the negative side of uninsured motorists. He recommended deletion of Section III Insuring Agreements, letter C of the TSB-RMT Coverage Document (attached):

Uninsured Motorist: Uninsured Coverage is afforded in respect of any CLAIM not exceeding the minimum extent permitted by the law of the State in which each owned or hired AUTOMOBILE is principally garaged. This coverage applies only if a limit is stated in SCHEDULE OF LIMITS OF COVERAGE and only one limit applies regardless of the number of claimants in any one OCCURRENCE. This coverage shall not apply to employees, agents or contractors acting on behalf of the MEMBER or in addition to any accident covered by Workers Compensation law. The intent of this coverage is to apply to vehicle occupants only while excluding drivers.

SWEET-LOVE/STIDHAM

MOTION to delete Section III Insuring Agreements, letter C as recommended. **CARRIED.**

Mr. Evans recommended the following additional changes to the TSB-RMT Coverage Document:

- Page 3 – add red language
- Page 4 – delete red language
- Page 6 – add red language
- Page 7 – break apart numbers 7 & 8 and add red language
- Page 13 & 14 – two additions of language in letters M & N
- Page 19 – add red language
- Page 32 – add red language
- Page 36 – add red language
- Page 38 – change from 25,000 to 35,000
- Page 40 – add red language
- Page 61 – add red language
- Page 65 – add red language

ROBINSON/DEASON Motion to approve changes as presented. **CARRIED.**

Mr. Evans reported that he has secured an offer from Genesis of a “flat” renewal. This means that the rate charged per student in the schools and the rate per \$1,000 of gross operating expenditures for counties will not increase. The coverage and retention amounts will also stay the same. Mr. Evans recommended that the Trust renew coverage with Genesis for one year beginning July 1st, 2004 to include terms and rates equal to those expiring on June 30, 2004.

SWEET-LOVE/FARLEY Motion to approve reinsurance with Genesis Insurance Company as presented. **CARRIED.**

Trust Administrator’s Report

Dr. Dan Tollett reviewed a few claims that have come in recently that have resulted in large losses. Crockett County has had two claims with one costing more than a million dollars and another at \$500,000 and rising. Coffee County High School had a man fall through the press box floor onto his head as a result of the press box not being properly constructed and inspected. Macon County had a fire in a portable classroom from a heating/air conditioning unit that got dirty and hot. As a result of this claim, Risky Business will feature an article on getting heating/air conditioning units cleaned and inspected at least annually.

Dr. Tollett compared counties vs. school systems and said that counties have outperformed the schools in liability claims and that schools outperformed counties in workers compensation claims. When combined, there is a 2% difference with schools having slightly more claims.

Dr. Tollett commented that after discovering that bringing medical bill audits in-house would be more costly, the RM claims staff has found a program that will write the checks automatically after medical bill audits have occurred at no additional cost to the Trust. It will also relieve Risk Management employees from a considerable work. The program will become operational in the next few weeks.

Dr. Tollett presented a proposal for the purchase of half of the French Landing property for a new TSBA Headquarters. The trustees agreed to the purchase of the building with the understanding that management fees paid by the trust would be reduced to compensate for the outlay of funds for the building. Dr. Tollett presented the current method of calculating the fees. He recommended that the same formula for calculation of the fees be used, then the total be reduced by 13%.

SWEET-LOVE/ROBINGSON Motion to accept the proposal as presented. **CARRIED.**

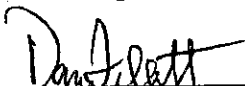
Tammy Grissom explained that TSBA is waiting on an answer to a counter offer for the TSBA headquarters building. The prospect of a quick sale looks very positive.

Dr. Tollett suggested moving the next meeting from May 14th to May 7, 2004 with the location of the meeting to be announced later. He said the meeting should be longer than this one.

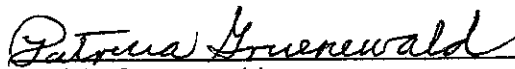
ROBINSON/MORRIS Motion to approve date of May 7, 2004 for the next RMT meeting. **CARRIED.**

Mr. Evans announced that he will distribute a revised copy of the TSBA-RMT Coverage Document in the near future.

There being no further business the meeting adjourned at 5:30 p.m.



Dan Tollett
Trust Administrator



Patricia Gruenewald
Chairman