

# InTrust

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## New Trustee Election Procedure to Begin Immediately

Thank you for promptly returning the intergovernmental agreements which were distributed earlier. Through these agreements, you have approved a new election procedure established by the risk management trustees that will begin immediately.

Under the new election procedures, as the current trustees terms expire, new trustees will be elected by the boards which are members of the Trust. The elections will take place this year for three trustees whose terms expire June 30, 2005. Boards in these districts will be notified that they have the opportunity to nominate persons to run for these positions. Each nomination must include a résumé listing qualifications of the candidate.

Nominations will be received by a nominating committee, which will nominate at least one person for each position. Each board will select one voting delegate for each program in which the board participates or two voting delegates if the board participates in the property-casualty program and the workers compensation program. Each voting delegate will receive a ballot and have the opportunity to vote for a trustee to represent the member boards in that district. The candidates elected will take office July 1, 2005.

Every board member and superintendent that we spoke to praised the new election procedure. "It just makes sense for trustees to be elected by the membership rather than being appointed," said Trustee Robert Stidham, chairman of the Hawkins County Board of Education. "The risk management trust belongs to the members of the trust. Trustees should be elected by the membership." ■

## It's That Time Again!

About the same time every year, you are asked to complete a renewal application and verify property, inland marine, and auto schedules. And if you have been a member of the pool for several years, you have probably asked yourself "why" more than once. "Is it really worth my time?"

While the TSB-RMT and its collective members share the financial risk of claims, the underwriting decisions and resulting annual contributions are based on the individual member's own unique exposures, values, and loss history. With ever present budget crunches faced by political subdivisions, it is important to you and TSB-RMT that your annual contributions are based on accurate, timely and current information.

Underwriting involves the review and analysis of a member's risk, based on its exposures and loss experience for the member's acceptability or continued participation in the TSB-RMT. The process also includes recognizing those members who can improve their loss experience with loss control service and training of employees or rejection of those risks who do not meet underwriting standards or refuse to participate in loss control assistance offers from TSB-RMT.

The base rates for establishing a member's annual contribution are established through actuarial studies of exposure to loss vs. actual loss experience of all TSB-RMT members. Those rates are then applied toward your specific exposure to loss: property values, number and type of vehicles, number of students [school systems], and gross operating expenditures. Your budget not only provides the expenditures, but also can identify any unique exposures that you may have or which need particular attention.

The stability of your TSB-RMT program and its ability to pay claims is dependent upon equitable premiums for exposures. Your current information insures that stability.

What do you think? Is it worth your time? ■

## The A Team

Perhaps you recall a successful television show called the A Team, and a saying from the lead character, "Don't you just love it when a plan comes together." Come together it did on February 21st in Dickson County. Tornado force winds struck the Dickson County High School just before 8:00 a.m. Fortunately, schools were closed for Presidents Day.

By approximately 9:00 a.m., TSB-RMT learned of the catastrophe and within the hour, Adjuster Harrold Henderson was on site. Initial observations confirmed damages far exceeded TSB-RMT's initial layer of coverage. We promptly alerted the reinsurer, and arranged to have their adjuster on site within 48 hours.

Together, Harrold and the reinsurer authorized clean-up, and emergency repairs to avoid further damage to the building or its contents. Work crews were quickly assembled, some from as far away as Memphis, who worked well into the night to board up broken windows and cover the damaged roofs. Due to the efforts of all, further damage was avoided, and actual repair began on February 22nd, the day following the storm.

On the same day, Director of Risk Management, John Wilburn, presented Director of Dickson County Schools, Charlie Daniels with a check representing the first layer of coverage allowing Dickson County to begin the cleanup without having to commit any their own funds.

A plan did come together quickly due to prompt reporting from Dickson County officials, prompt action by our A Team Adjusters, Harrold Henderson, and Paul Latteau of St. Paul/Travelers insurance, allowing Dickson County High to safely reopen Friday, February 25th, four days after the storm, for regularly scheduled classes.

It remains our distinct pleasure to serve the members of the TSB-RMT regardless of whether we are needed to provide an answer to a simple coverage question or handle a loss of the magnitude of the one in Dickson County Schools. We are here to help.



John Wilburn (L), TSB-RMT Director of Risk Management presents Charlie Daniels, Dickson County Director of Schools, with a check in the amount of \$100,000 to pay the immediate clean-up costs the day after the storm. Kids were attending classes again three days later. ■

## Success in Bedford County

In 2002, our loss control team started working with general manager, Mr. Walter Bobo, and his staff. During these past few years, Mr. Bobo and staff, have proven their dedication to providing and maintaining a safe work environment. This utility district has formed a safety committee that meets on a regular basis. Each year, at Mr. Bobo's request, our loss control team provides safety training in Confined Space Entry, Respiratory Protection, Trenching and Shoring, Defensive Driving, and Drug and Alcohol Awareness to all of his employees. We are pleased to report that Bedford County Utility District has not experienced a single lost time accident in the past three years. This reflects the effort of their employees that have helped create an injury free environment. Our loss control team appreciates the great attitudes and hard work that has been shown to us by all Bedford County Utility District employees.



\_confined space training ■

## In Memory of Joyce Gregory

It was just another day on the route for Joyce Gregory.

A 14-year-old passenger shot Gregory, 47, a Stewart County school bus driver, teacher and mother of two, to death on March 2.

In the post-9-11 world, we've all gained a new appreciation for the first responders that stand ready and willing to throw themselves into harm's way so that we may be safe.

We always include in this group, soldiers, policemen, firemen and EMT personnel. We seldom consider in our list of those we call "hero" the scores of other occupations that contribute to education, safety and our very way of life such as maintenance workers, teachers, principals, and now, bus drivers.

It shouldn't require a tragedy for all of us to remind ourselves that the school bus drivers, teachers, administrators and others who ensure that our children arrive safely at school and are set on a course for success as adults often go without thanks.

We stand with you in mourning the loss of Joyce Gregory, and our hat is off to all of those involved with the education of our youth.

To make a donation to the family of Joyce Gregory, send it to:

Joyce Gregory Memorial Fund  
AmSouth Bank  
P.O. Box 432  
Dover, Tenn. 37058 ■

## How Bad Did That One Hurt

After reading the article on the Dickson County Schools property loss above, some of you may be wondering how their \$2,000,000 loss would affect TSB-RMT's or your school's renewal rates for the upcoming renewal.

Here is the bad news. Every loss has some effect on the overall loss experience of TSB-RMT and our ability to get and keep your contributions as low as possible. Each loss adds to the ratio of contribution income to paid losses. If this gets too far out of balance, a contribution adjustment is necessary.

Here is the good news. The Dickson County Schools loss will have little or no effect on your renewal cost because the TSB-RMT spreads the cost of this loss and all losses over the entire 108 school systems and 58 other governmental entities in the program. This is much like the method used by a for-profit insurance company but without the profit. We expect some losses of the Dickson magnitude but the law of large numbers is hard at work at the TSB-RMT. Your faithful and continued participation in the TSB-RMT makes this sharing of risk possible.

Here's how it works. Each renewal generates a "gross contribution" amount which is received by TSB-RMT and distributed in several directions. Roughly 60% of your contribution goes toward operational costs, reinsurance, fees and claims management expense. The remaining 40% goes into the "loss fund". The loss fund is used to pay the "retention" or "deductible" that TSB-RMT must pay before excess or reinsurance kicks in to pay the balance of any claim. Any money remaining in the "loss fund" after all retained claims are paid, belongs to the membership.

The picture above of John Wilburn giving Charlie Daniels a check for \$100,000 represents the total financial responsibility of the "loss fund" in this instance, and the balance of the \$2,000,000 claim is the responsibility of St. Paul/Travelers Insurance Company, according to TSB-RMT's current contract with them.

We all know from personal experience that if we accept a higher deductible, we pay a lower price for insurance. We also know from going to Sam's Club that we get a better price if we buy in quantity. Your Trust uses the collective buying power of the volume of all members to buy a very large deductible insurance policy on our member's behalf, saving significant dollars in the process. We then "pool" the remaining money in the "loss Fund" to pay the "retention" or deductible on each claim. An added bonus is that TSB-RMT collects interest on these funds until the funds are needed to pay claims. The result is that any money in the "loss fund" that is not used continues to be the property of the members to offset future contributions. It doesn't get any better than that.

Look at it this way. If you had taken all the premiums you paid to insurance companies for homeowners and automobile coverage over the years and put it in a savings account at interest, and paid all the claims you have had for the same period, would you have any money left? Most of you would have answered with a resounding YES. Those of you who answered "NO" should have purchased a very large deductible policy to cover that big loss you must have had. The problem is that we never know who will have that large loss. What if all of you had put all those premiums in the same bank account at interest and used part of it to buy a policy that covered every loss over \$5,000? Would you have any money left? Absolutely!

The reason we know that you would have money left is because insurance companies make a profit after they pay your anticipated claims and include profit and overhead in the cost. Insurance companies don't have any money. They merely hold your money and that of many other people until you have a claim. If you don't have a claim, they keep your money and the interest it generates. This is what your Trust does for your school or governmental entity except we don't keep your money. It continues to belong to the membership.

The entire process is not as simple as the above example but the concept is the same. It has worked Tennessee governmental entities for 18 years and continues to work today, saving tens of millions of dollars for Trust Members. Thanks from all your fellow Trust members for your participation and loyalty. ■