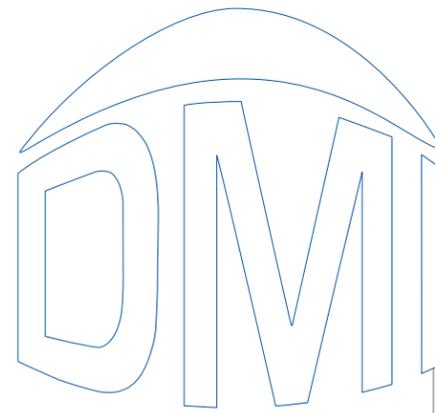


# 2009

*Districts Mutual Insurance*

*Insuring Risk - Sharing Rewards  
Since 2004*



# 2009

**INNOVATION  
IN PROGRESS  
REPORT**

*DMI serves the sixteen (16) technical college districts of Wisconsin.*

*Jointly these sixteen districts have exposures of:*

- 872 automobiles*
- \$2.9B in property*
- \$664M estimated payroll*
- 69,630 FTE enrollment*

Districts Mutual Insurance is a Municipal Mutual Insurance Company serving the Wisconsin Technical College System.

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## A Word from Our Board President...

Districts Mutual Insurance is pleased to present its first-ever “Innovation In Progress” report. We invite you to look over the many exciting things that have taken place since we first opened for business only six short years ago. Inside, you’ll find lots of great information about services to member colleges and some amazing innovations. You’ll also get to know DMI’s valued partners who continue to support the colleges through services and collaborations.

Since the inception of DMI, the vision has remained the same: to serve as a model for innovation; offer cost-effective insurance coverage; and extend networks of risk management expertise.



Creating DMI was truly an innovative idea that has proven over time to be a very wise financial decision.

I am proud to have served on the board since the inception of DMI and honored to have served as President for the last two years. I believe DMI has truly exceeded expectations by providing outstanding value-added services and cost-containment. I know that future DMI boards will continue to guide DMI in this same direction. DMI really is just getting started and I know the “sky’s the limit” for what we can achieve.

Thank you again!

Doug Olson, Districts Mutual Insurance Board President



**Districts Mutual Insurance - Board of Director Members FY09** (July 1, 2009 - June 30, 2010)  
 [Top Row - left to right] Doug Olson, CVTC - President; Jim Blumreich, NWTC - Treasurer; Barb Kieffer, FVTC - Secretary  
 [Bottom Row - left to right] Mark Zlevor, GTC; Dr. Gayle Hytrek, MPTC.

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# THE YEAR IN REVIEW



## Stability and Expansion of Services

The changing economy has created a number of budgetary challenges for Wisconsin's Technical Colleges. Enrollments are up, faculty/staff FTE has grown, payroll has increased, and property values have risen. Even with these changes in exposures, DMI has held the rate on each of its insurance policies (except workers' compensation). This stable rate has provided the colleges with cost containment for their risk management program.

Recognizing the ongoing needs of the colleges for consultation and advice in the area of environmental health and safety, DMI engaged James T. (Tim) Greene as its Risk and Loss Control Consultant, effective June 1, 2009. Tim will be providing direct services to the colleges to bolster the local efforts in addressing: WI Comm 32, Department of Commerce requirements, and assisting in the development of a best practices approach to compliance needs and common concerns.

A volatile investment market yielded record low returns. The DMI philosophy of conservative investing has protected the principal and yielded a modest return on investment. At this stage DMI has \$15.4M in total admitted assets and \$8M in surplus. Working with a new investment partner (Madison Scottsdale) the approach will remain conservative but will look to increase the overall return on investment.

DMI continues to expand services to support the college's local efforts. The Risk and Loss Control Consultant coordinates the efforts of the local Risk and Loss Control representatives. College visits focus on local compliance with WI Comm 32 and Department of Commerce requirements. The DMI Presents...quarterly forum provides useful



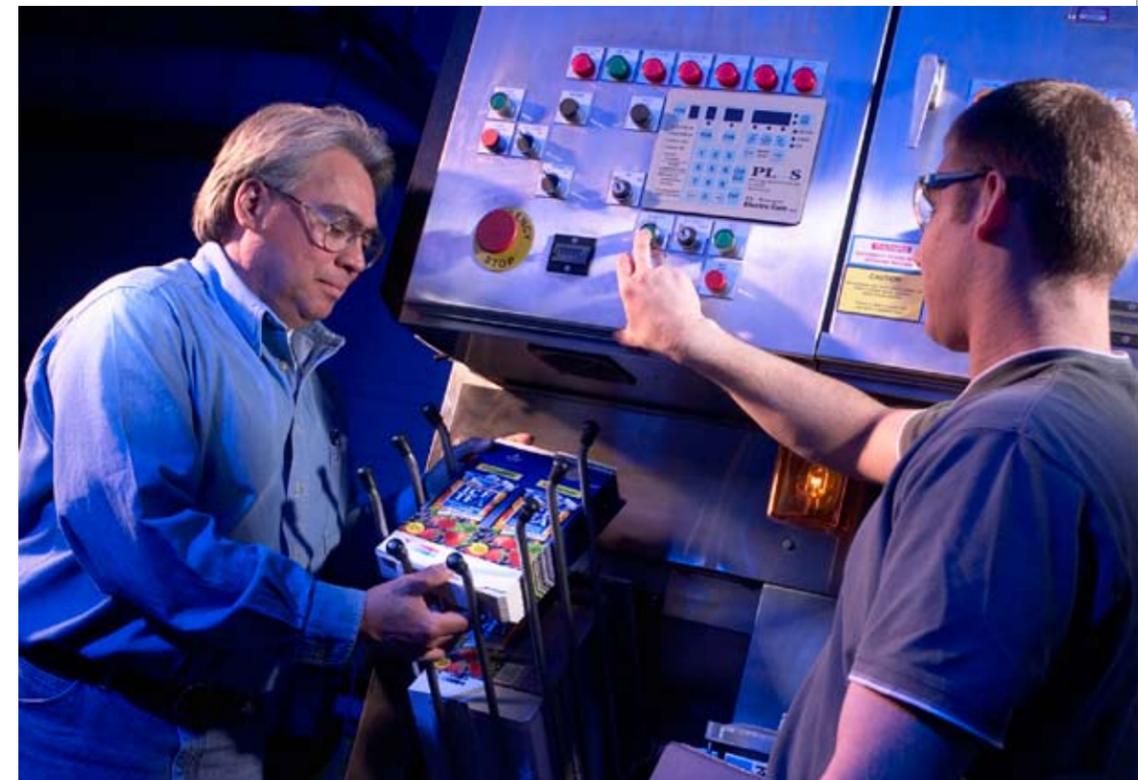
Criminal Justice student at Chippewa Valley Technical College on duty.

information on current "Hot Topics". The DMI website is a growing ready-reference for the colleges' Risk Managers. Campus security assessments continue to be performed at selected locations. Quarterly meetings are held to share information and encourage networking. DMI coverage forms are routinely reviewed to assure proper coverage and abundant limits for the colleges. Recently, a fiduciary liability endorsement was provided. The property coverage form now has limits to \$350M per occurrence.

2009 marks the beginning of the sixth year of operation for DMI. As a vital and growing organization, focused on the unique exposures of the technical colleges, DMI continues to attract national attention among its peers. The colleges' formation of DMI - providing insurance and risk management services - is viewed as a very creative approach in higher education.

Your ongoing cooperation and collaboration remains essential to the success of DMI. Please know that DMI is here to assist with your insurance and risk management needs.

Steven J. Stoeger-Moore, Executive Vice President



The Automated Packaging Systems Technician Program at Wisconsin Indianhead Technical College is unique in Wisconsin.

## MISSION STATEMENT

DMI has been established to provide a range of commercial insurance coverages to meet the unique needs of the sixteen (16) Wisconsin Technical College Districts. DMI will provide a menu of insurance and risk management services and solutions to address the multiple exposures created by the delivery of vocational, technical and adult education.

DMI will provide cost effective coverages and various support services to protect the viability of the sixteen (16) District member insureds.

DMI will be responsive to its member insureds by providing services and insurance products that meet the general needs of all members and the unique needs of each member.



# Our History and Our Future

On July 1, 2004, DMI began operation with a commitment that no college would pay more in “insurance premium” than was paid the previous year. DMI held costs in its first year to pre-DMI levels and the initial goal of a zero percent budget increase was achieved. At this premium level DMI met all of its financial obligations including funding to mandated reserve levels, paying claims, providing insurance services, and accumulating working capital for operations. DMI has achieved cost containment for the first five years of DMI operation. The same premium dollars that had been previously paid to the commercial marketplace were utilized to capitalize DMI. In other words, the capitalization goal of DMI was achieved without requiring any additional cost incurred by the colleges.

The previous method of “acquiring” insurance via a bid process was time-consuming and duplicative. The creation of DMI has eliminated much of the duplication creating a significantly streamlined process. Coverage through DMI has eliminated numerous coverage gaps and is now consistent and uniform. The same coverage parameters, sub-limits, and deductibles have continued with enhanced claims administration and risk management resources. Defense Counsel has been identified with negotiated rates applicable to all members. DMI has also added numerous coverage enhancements and increased coverage limits.



Blackhawk Technical College Fire Science Students battle a blaze.

DMI’s philosophy is to distinguish itself by the risk and loss control services it provides to member colleges. The chart below shows several examples of the types of specialized and targeted services made available to DMI college members.

<i>Risk Management Resources</i>
<i>Monthly electronic newsletter – [The Incident Report]</i>
<i>Slip, Trip and Fall CD-based training program</i>
<i>On-Site Material Handling Training</i>
<i>Targeted Loss Control Programs (Based on claim history and member feedback.)</i>
<i>Claims Management Manual</i>
<i>Online Resources (www.districtsmutualinsurance.com)</i>
<i>Claims Investigation Kit</i>
<i>Cyber-Risk Assessment</i>
<i>Blueprint for Pandemic Flu Preparedness</i>
<i>Campus Safety Audit Checklist</i>
<i>DMI Presents... (Quarterly Instructional Training Programs)</i>
<i>Content Valuation Model (Significantly reduces resources required to capture College’s content value.)</i>
<i>Building Appraisal Valuation Update Service</i>
<i>URMIA Membership and Access to TULIP* Program (*Insurance coverage for special events.)</i>
<i>Annual Driver Record Checks for College Employees (At no cost to the College.)</i>

The creation of DMI has resulted in the development of an integrated risk management program that includes comprehensive coverage via the insurance policies along with strategic and targeted services that assist each college in assessing the multiple exposures associated with the dynamic environment of technical education. The insurance coverage documents are written for the unique exposures presented by technical education. Loss control services are targeted to strategically address “Hot Topics” and a proactive risk management approach has been adopted. The colleges have evolved from holding an insurance policy to being an active participant in an integrated risk management program.

As DMI looks ahead the goal is to: continue to provide superior insurance coverage; enhance specialty coverage; grow risk management resources; proactively address loss control; aggressively manage claim expenses; and maintain price stability.



Future Diesel Technicians receiving training at Fox Valley Technical College.

# DOLLAR\$ AND \$ENSE

## Premium and Rates

Generally an insurance company charges premium based on the rates established by the Board of Directors and the exposures insured by the policyholder. For DMI, the rates

established by the Board of Directors only relate to the non-workers compensation coverages (i.e. property, auto physical damage, auto liability, general liability, etc.). The rates for workers' compensation coverage are established annually by the Wisconsin Compensation Rating Bureau (WCRB). Additionally, a mod factor is assigned to every insured by the WCRB, based on the loss experience of that insured.

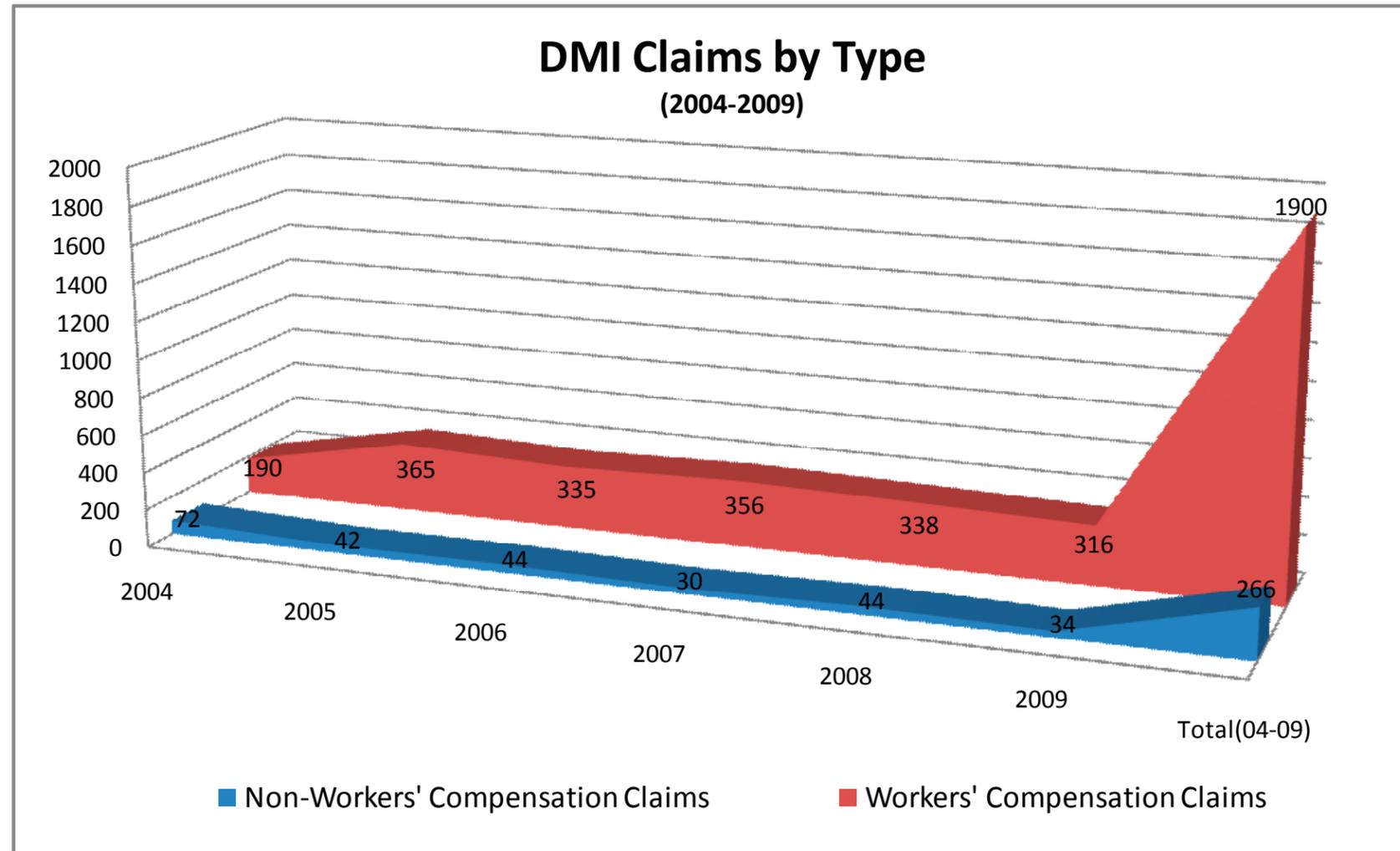
Workers' compensation premiums comprise approximately 58% of DMI's total premiums (and thus the college's insurance costs).

Because of this, DMI works very hard with its members to reduce

their exposures to workers' compensation expenses. DMI recommends that all colleges have an active return to work program and take an active role in this process. It is philosophy of DMI that the cost of workers' compensation insurance is in the control of each college.

There have been no changes in non-workers' compensation rates since the inception of the DMI, other than a slight modification to the rate charged

on high-value vehicles beginning in 2009. Any changes in a college's premium from year to year have been due to changes in exposure, or workers' compensation (via payroll, mod factors, or WCRB rates).



***It is estimated that with the savings in premiums, preservation of capital, and surplus, the colleges have saved over \$10M since DMI's inception.***

delivery of services to the colleges. The goal of this strategic staff addition is to control a college's loss expense and thus reduce the premium charged by DMI. The inset graph reports the number of claims incurred by DMI from 2004 - 2009. A main goal for upcoming years is to reduce the total number of claims.

## Loss Control Services

DMI plays a vital role in providing loss control services to its members. In 2009, additional resources were committed to this function – a full-time Risk and Loss Control Consultant (Tim Greene) was hired. Mr. Greene has over 28 years of experience in environmental health, safety, training, and teaching within the Wisconsin Technical College environment. The primary role of the Risk and Loss Control Consultant is direct

DMI provides an invaluable forum for the Wisconsin Technical Colleges, to develop and share best practices, and to reduce and manage risks and cost of insurances. The proactive approach fostered by DMI has resulted in heightened awareness of activities that Colleges themselves can engage in to educate employees, students and the public on a safe working environment.

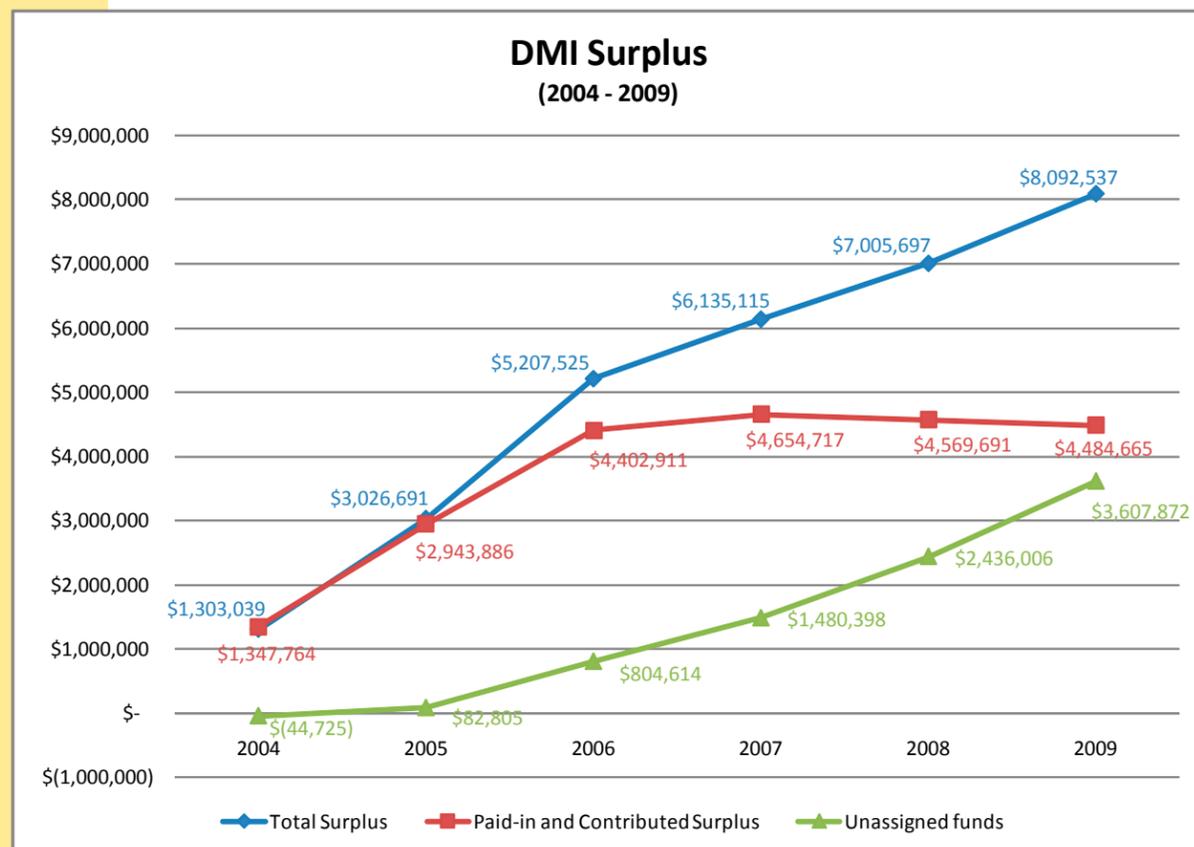
- Marion Smith  
Michael, Best & Friedrich

# DOLLAR\$ AND \$ENSE - Continued

## Financial Stability

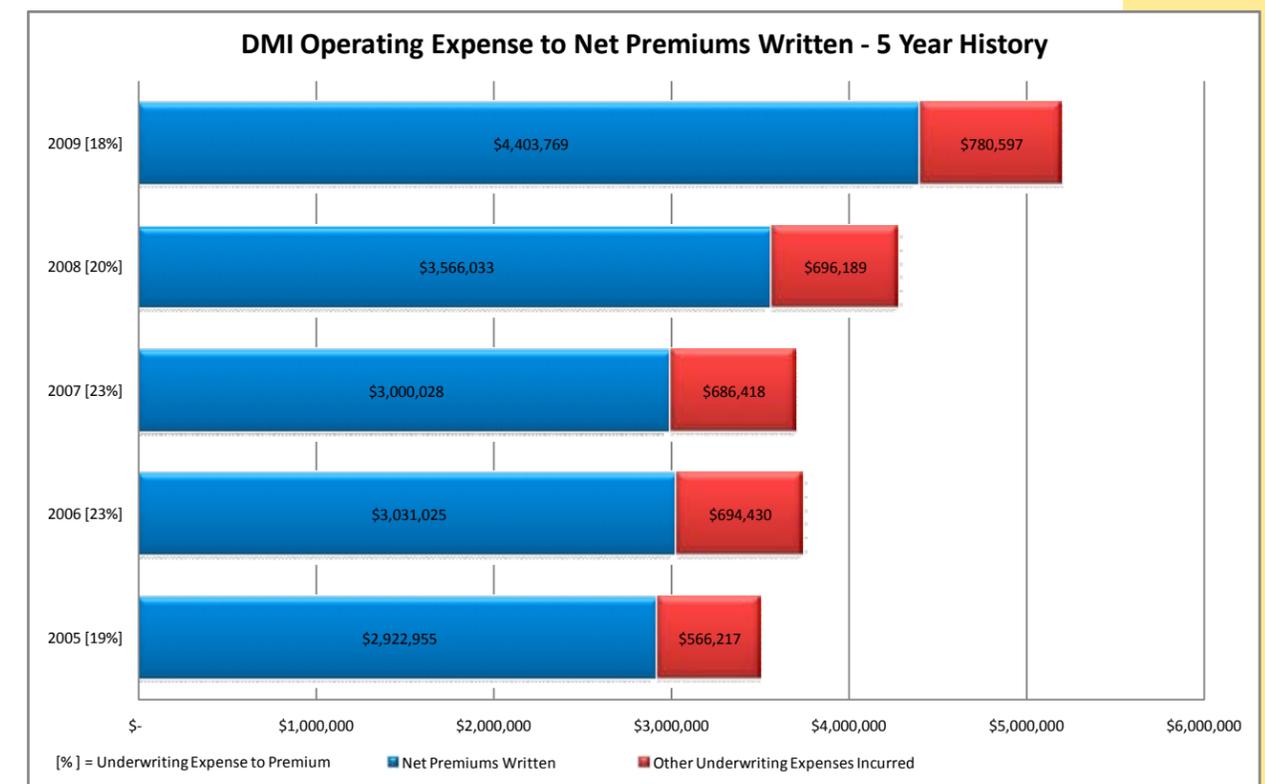
A primary goal of the DMI Board of Directors is to provide the members with an insurance company that has the financial means to meet the responsibility to the claimants. To date, surpluses have continued to strengthen – this truly is a collective accomplishment. Since inception, members have provided capital contributions of \$4,484,665; financial results have been profitable, adding an additional \$3,607,872 to its members' surplus; thusly, as of December 31, 2009, surplus totals equaled \$8,092,537. As a mutual insurance company policyholders are also owners of the company. Building surplus to a level that is adequate to cover the risks insured, as well as providing opportunities and benefits to members with respect to insurance costs, continues to be the goal.

The largest expense to DMI is reinsurance costs. Currently, approximately 25% of every dollar of premium collected goes to reinsurers; this allows DMI to cede off risks for catastrophic events or significant losses. With the growth in surplus, DMI is continually monitoring retention levels to determine if they are proper in relation to the reinsurance costs. The graph below shows the growth in surplus (thus financial stability) since inception.



## Operating Structure

In order to obtain the requisite services to operate an insurance company, DMI outsources a number of key functions to external parties. As of 12/31/09 only two staff are employed by DMI. Key functions such as: claims adjudication, actuarial, accounting, and regulatory filing services are outsourced by DMI. This allows DMI to contractually maintain costs at a level that is consistently lower than other insurers. The Company's expense ratio (a ratio of operating expenses to net premiums written) is presented in the graph below. The industry average for such expenses (including commissions) is approximately 30%.



## Summary of the DMI Program

DMI is very proud of its accomplishments to date; but more important, is the support that is continually received from its policyholders. To date, DMI has saved the Wisconsin Technical College System millions of dollars. Besides the capital and surplus amounts that would have been earned by a commercial carrier, DMI has been able to price their product at a level that competes with the commercial market. It is estimated that with the savings in premiums, preservation of capital, and surplus, the colleges have saved over ten million dollars since DMI's inception. Once again, thank you for your continued support.



Since the inception of DMI,  
the vision has remained the  
same: to serve as a model  
for innovation; offer cost-  
effective insurance coverage;  
and extend networks of risk  
management expertise.

**Doug Olson**  
DMI Board President



DISTRICTS MUTUAL INSURANCE

**DMI**

*Serving the Wisconsin Technical College System*

**DISTRICTS MUTUAL INSURANCE**

212 West Pinehurst Trail - Dakota Dunes, SD 57049  
tel: 605.422.2655 - fax: 605.422.2163 - [www.districtsmutualinsurance.com](http://www.districtsmutualinsurance.com)

