

DISTRICTS MUTUAL INSURANCE

DMI

Serving the Wisconsin Technical College System



Districts Mutual Insurance

Innovation in Progress Report 2011-12



An Architectural Technology student at Milwaukee Area Technical College System focuses on a design.

Districts Mutual Insurance (DMI) serves the sixteen (16) Technical College Districts of Wisconsin. Jointly these Districts have exposures of:

- Campus Locations - 54
- Property - \$3.1B
- Estimated Payroll - \$712M
- FTE Staff - 11,228
- FTE Enrollment - 82,365
- Programs of Study - Over 300

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

Cover images provided by Moraine Park Technical College.

Arthur J. Gallagher & Company has had the pleasure of working with the DMI management team and Board of Directors since its inception in 2004. What was once thought of as a “good idea” has developed into an outstanding success story. Commitment to providing exemplary service, comprehensive insurance coverage, and loss control and claims management at the lowest cost to its Members makes DMI a unique entity in our industry. DMI provides laser-specific resources for issues relative to higher education and their Members. Gallagher is proud to be their partner!

*Linda R. Joski, CRM
Area Vice President
Arthur J. Gallagher & Company*

I cannot imagine how I would provide the functions of Risk Management for the College without DMI. When our Merrill Public Safety campus was destroyed by a tornado, the first phone call I made was to DMI. They helped me get the reconstruction ball rolling by walking me through the steps of reporting and documenting our loss. Having never been through such a catastrophic event before, I was amazed at how their facilitation of our insurance claims allowed us to begin the rebuilding process immediately.

*Jane L. Kittel, CPA, MBA
Vice President of Finance and Chief Financial Officer
Northcentral Technical College*

Welcome!	1
What Makes DMI Different?	2
Focus on Stability and Value-Added Services	3-4
Dollars and Sense	5-6
Focus on Member Needs	7
We’ve Got You Covered	8



Welcome to the Districts Mutual Insurance Innovation in Progress Report 2011-12 Edition

James (Jim) Blumreich, CFO, NWTC currently serves as the President of the DMI Board of Directors. Jim has served on the Board since the inception of DMI in 2004.

Unique. That's the word that comes to mind most often when I attempt to describe what differentiates DMI from other "insurance" companies. The mission statement of DMI includes the phrase, "a menu of insurance and risk management services". Since our last Innovation in Progress Report we've added many services - all at no cost to the Colleges. DMI has added a full-time Risk and Loss Control staff member to assist districts in their loss control efforts; contracted with the firm Empathia to be available to the Colleges to provide centralized communication services during emergencies; contracted with JJ Keller to provide MSDS services; and many other services - all with the intent of aiding the Districts in reducing their total cost of risk. I ask the rhetorical question - what other company with which you do business utilizes their own resources to help you reduce the amount you pay them?

As we celebrate the start of our 9th year of serving the sixteen (16) Wisconsin Technical Colleges, I am honored to once again serve as Board President and happy to report that our unique company is alive and well.

It has been my pleasure to serve as the General Counsel of DMI since its inception, a mere eight years ago. DMI has been fortunate to have outstanding Board members who volunteer their time to collaborate on behalf of the Wisconsin Technical College System. The entire higher education community has marveled at the significant advances made by DMI, including receipt of several national awards. DMI is well positioned for the future. DMI is a living, breathing example of how sharing and cooperation by individual members can benefit all members of the Wisconsin Technical College System.

*Robert W. Mulcahy, Esq.
Michael Best & Friedrich LLP*

DMI Board of Directors 2011-12



Barb Kieffer, FVTC
Director Since 2009



Mark Zlevor, GTC
Director Since 2009



James Rehagen, WCTC
Director Since 2010



Dr. Thomas Eckert, BTC
Director Since 2011

What Makes DMI Different?

Since our inception DMI has sought to distinguish itself by the risk and loss control services it provides to the Wisconsin Technical Colleges. The list to the right shows the breadth of specialized and targeted services made available at no cost to DMI member colleges.

Steven Stoeger-Moore serves as the Executive Vice President and Chief Operating Officer for Districts Mutual Insurance. Steven was instrumental in the creation of DMI, serving on the Steering Committee responsible for its creation.



Now in our ninth year, DMI has developed an integrated risk management program that includes comprehensive coverage via 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.

Steven J. Stoeger-Moore



Students from the EMT Program at Northeast Wisconsin Technical College (NWTC) hone their life-saving skills.



A student and instructor from the HVAC Program at NWTC troubleshoot equipment.

Districts Mutual Insurance [Value-Added Services]

- On-Staff Risk and Loss Control Consultant
- Risk Management Resources
- Monthly Electronic Newsletter [*The Incident Report*]
- On-Site Material Handling Training
- On-Site Ergonomic Assessments
- Infra-Red Scanning / TEGG Electrical Inspections
- On-Site OSHA 10- and 30-Hour Training
- Targeted Loss Control Programs [*Based on claim history and member feedback.*]
- Online Resources [www.districtsmutualinsurance.com]
- Claims Investigation Kit
- Campus Security Assessments
- Campus Safety Audit Checklist
- DMI Presents... [*Quarterly Webinar-Based Training Programs*]
- Content Valuation Model [*Significantly reduces resources required to capture College's content value.*]
- Building Appraisal and Annual Valuation Update Service
- Online MSDS Service [*JJ Keller*]
- Disaster Response Call Center [*Empathia, Inc.*]
- Emergency Response Plan Review and Template [*Empathia, Inc.*]
- Foundation Donations
- URMIA Membership and Access to TULIP* Program – Attendance Sponsorship at URMIA Events [**Special Events Insurance*]
- Annual Driver Record Checks for College Employees



Students from various programs at Blackhawk Technical College putting their knowledge to work.

Focus on Stability and Value-Added Services

Steven Stoeger-Moore - Executive Vice President, DMI

In the ever-changing landscape of the commercial insurance market, Districts Mutual Insurance (DMI) has successfully become a constant - holding the rate on each of its insurance policies (except Workers' Compensation - not rated by DMI) for every year since its inception. In fact, DMI lowered the rate for its Workers' Compensation Terrorism Coverage resulting in a two-year savings for the Colleges of \$210,000.

Looking for additional ways to save its Members money, an alternative Auto Physical Damage deductible of \$5,000 was offered to the Colleges beginning with the 7/1/11 renewal. This higher deductible option represents a 40% rate deduction – saving those Colleges involved over \$35,000 since 2011.

Districts Mutual Insurance (DMI) - Innovation in Progress Report 2011-12 - All Content © DMI [photos as credited]

Since our last "Innovation in Progress Report" DMI "refreshed" its Content Valuation Model. The updated model more accurately reflects the current value of College-owned contents. This exercise resulted in a change in our underwriting guideline, assigning 40% of the building value to contents instead of the previous utilized guideline of 50%.

By being rate conscious, and through providing options, DMI has achieved cost-containment for both the Colleges' risk management programs and ultimately their bottom-line.

DMI enjoys a close and cooperative relationship with the sixteen (16) Colleges. In

quarterly meetings, the "rule of sixteen" is often discussed. That is: if one of the Colleges presents a particular exposure, it is likely all colleges share this exposure. To address these ubiquitous needs, DMI has focused on a best practices approach to risk management issues. Our cadre of no-cost resources made available to the Colleges, continues to grow.

An online MSDS subscription service was purchased for each of the Colleges by DMI and is readily accessible to local staff .

Each College's Emergency Response Plan was evaluated by a consulting firm (contracted by DMI) and specialty resources were made available to the Colleges for assistance in local

DMI has demonstrated how an insurance consortium can leverage the experiences of a few to benefit many – what is referred to as the “rule of sixteen”. Through a prioritized expansion of policies, practices, and services DMI has enabled the sixteen Wisconsin Technical Colleges to be on the forefront of newly emerging risk management practices.

Over the past nine years, DMI leadership and Members have never lost sight of the reasons DMI was formed. The impact of “industry” losses are lessened; catastrophic loss at one College does not drive up premiums; unanticipated rate jumps and budget swings do not occur; and proactive services enable each College to better manage and control risks.

Our smaller Technical College could never keep up with demands placed on property, casualty, and workers’ compensation insurance without the direction, expertise, resources, and services provided by DMI. As the importance of addressing risks and risk management as a way to lower losses and costs grows - so does the value of our partnership with DMI.

Outstanding success requires great leadership, knowledge and expertise, and cooperation and collaboration - mission and vision accomplished - congratulations DMI!

Nelson Dahl

Vice President Finance - Mid-State Technical College

Member of original Steering Committee responsible for the formation of DMI

plan development and refinement.

In the unfortunate event that a catastrophic loss occurs – the Colleges can engage the Disaster Response Call Center for large-scale communication coordination and assistance 24/7 - 365.

The DMI website was refreshed and redesigned to provide easier access to expanded online resources.

The DMI Presents...series moved to a webinar platform to provide easier access to the participants. This series covers a wide-range of “hot topics” and helps facilitate local discussion.

DMI continues bringing resources directly on campus through: visits by DMI staff; building appraisals; campus security assessments; fire protection surveys; infrared scanning; on-site loss control consultation and training, and more.

DMI works collaboratively with each of its Members to address local risk management needs and provides tools and resources to assist. New and innovative ways to meet Members’ needs are regularly evaluated and implemented.

Although the investment market continues to be challenging, the DMI philosophy of conservative investing has shown positive

results. As of the end of calendar year 2011, DMI has \$17.3M in total admitted assets and \$6M in net reserves. A cautious and prudent approach to investing and reserving continues to be our motto. DMI is both financially stable and fully capitalized (more about this topic can be found in “Dollars and Sense” section).

2012 marks the beginning of our ninth year of operations. DMI has become the “go-to” resource for the Colleges on insurance and risk management issues. The secret to our success is the ongoing, active participation in the risk management of the Colleges. Thank you for your continued cooperation and collaboration!





Safety & Security

Districts Mutual Insurance (DMI) was created nearly 10 years ago with a distinctly different purpose (than traditional insurance companies) in mind: provide cost-conscious coverage, as efficiently as possible, to the Wisconsin Technical College policyholders - with only their interests in mind. As a mutual insurance company serving only these sixteen Colleges, there are no other owners or stakeholders to satisfy. Profits are not paid to owners or investors, but instead used to provide benefits back to the Members. DMI is motivated by the knowledge that it has improved the risk management culture of the Member Colleges through solid insurance protection, creating safety recommendations that reduce incidence of claims, and providing strategic and targeted risk management services.

Since its inception, DMI has exceeded all expectations! DMI is financially strong, providing over \$10M in premium savings to the Wisconsin Technical Colleges. DMI provides substantial “peace of mind” to the Colleges, especially when it comes to potentially catastrophic financial risks. Because DMI services only the Wisconsin Technical Colleges, their attention is “laser focused” on the insurance needs of those policyholders. This allows DMI to customize its products and

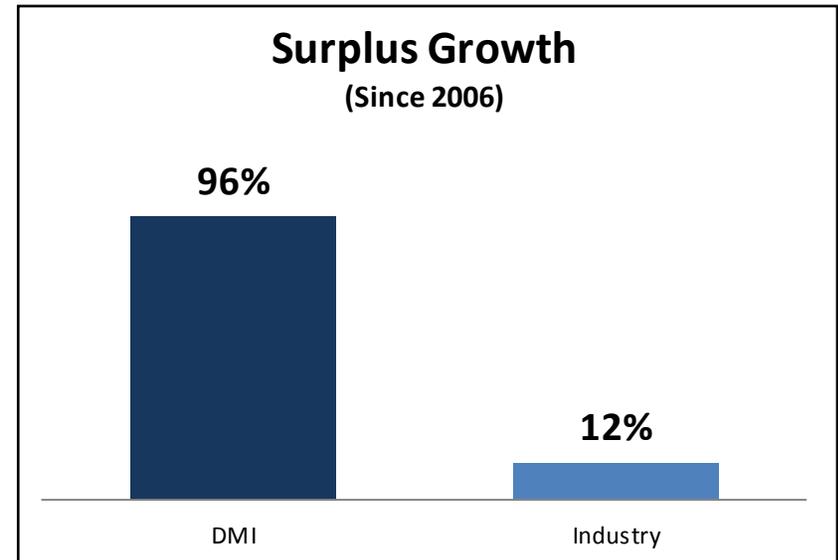
services specifically to the needs of its Members. After nine years of operations, DMI is financially secure and continues to offer many resources that minimize insurance costs and maximize protection against insurance claims (see “What Makes DMI Different?” for more information).

The financial security of an insurance company is an important consideration for any policyholder, since the insurance “product” is simply a promise to pay claims in the future. Due to the collaborative efforts of DMI and its Members, DMI has successfully enhanced its financial soundness since inception by growing its total surplus (capital) from about \$2.5M in 2004 to over \$10M by the end of 2011. This means that DMI is very sound financially and has accumulated the necessary capital to pay all insured claims. It also means that DMI has the ability to maintain premium rates in the future. Policyholders can be confident that DMI will be there for them, whether facing the loss of a building due to a fire or storm, or the financial impact of a substantial liability claim.

Exposures & Stability

Each year, DMI assists the Colleges in renewing their insurance policies by obtaining risk exposure information. DMI has simultaneously simplified this process while ensuring each College is appropriately protected from the risks they face. Once exposure data is collected, premiums are determined based on these exposures - including workers’ compensation, liability, and property exposures (for more exposure data see the inside front cover).

Each College’s ultimate annual premium is based on both the number and extent of risk exposures insured along with the applicable premium rate.

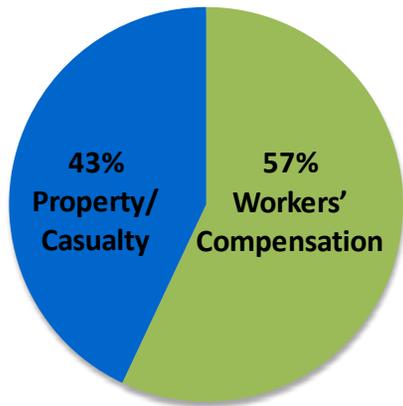




Premium rates are reviewed annually by the DMI Board of Directors and their financial consultants. Much of the savings realized by the Colleges over the last nine years has been achieved through lower premium rates when compared to the commercial marketplace – from either flat or modest increases in premium rates. To remain financially sound DMI must obtain sufficient premium to cover claims for the risks insured, including reinsurance and administrative costs. The primary goal of DMI continues to be stabilizing premium rates as much as possible from year to year.

While premium rates for workers' compensation insurance are defined by Wisconsin statute

and regulation, DMI has been very successful in maintaining rates lower than available in the commercial insurance marketplace. Workers' compensation premium constitutes the majority of DMI's annual premium (about 57%).



This coverage represents the most significant insurance cost to Member Colleges - that is why DMI maintains a full-time Risk and Loss Control Consultant on staff. The main function of this Consultant is to: reduce risk exposures; prevent claims; and control claims expense. DMI has delivered several policyholder benefits beyond the typical insurance policy protection, and has instituted a number of risk management programs to help reduce risks and the incidence of claims, which results in less premium dollars utilized to cover claim costs.

Significant attention is given each year to reviewing and renewing of reinsurance contracts

on the most favorable terms – maximum coverage for the least cost. In addition, administrative costs are some of the lowest in the industry, which means DMI provides the protection and services the Colleges need **very** efficiently - DMI is 20% vs. 28% industry average.

Summary

While DMI began as merely a good idea many years ago, it has exceeded expectations and been a great success! The Colleges no longer have to face the uncertainties of a sometimes unfriendly commercial marketplace - where contracts are written and decisions are made based only on dollars and cents. The combination of this good idea with the collaborative support of Wisconsin's sixteen Technical Colleges, and the guidance of DMI Board of Directors, has produced a safe place to turn for insurance needs – a place that looks out for the interests of its Member Colleges first – a place called Districts Mutual Insurance.



Focus on Member Needs

Districts Mutual Insurance added the Risk & Loss Control Consultant (R&LCC) staff position in June 2009. The primary role of this position is to provide direct services to the Colleges. This is accomplished in two main ways, through researching and providing educational opportunities and resources to assist the Colleges in managing risk. Often times, the R&LCC works with third-party providers as an advocate and resource for individual Colleges. A great example of this process is when the R&LCC works in tandem with United Heartland and individual Colleges on difficult indemnity claims. Situation-specific assistance and plans are discussed and developed all at no-cost to the College.

More About DMI's R&LCC

J. Timothy "Tim" Greene joined DMI team in June 2009. He has worked in the field of Environmental Health and Safety for over 28 years at Waukesha County Technical College (Pewaukee, Wisconsin). During that time he developed numerous compliance programs from basic safety orientations to industrial safety topics tailored to the occupational programs of the College. He is a certified trainer for, the Crisis Prevention Institute, OSHA General Industry Outreach (10 and 30-hour), as well as a Certified Occupational Hearing Conservationist. He served on the Wisconsin Association for Career and Technical Education Board, President from 2008 to 2009.

According to Tom Vanderbusch, Regional Operations Director for United Heartland, "DMI's focus on safety is the driving force behind our successful partnership on workers' compensation insurance for Wisconsin's Technical Colleges. Outstanding collaboration with DMI staff and the management teams at each campus encourage effective programs that positively impact workplace safety and employee satisfaction. Our confidence in DMI's expertise allowed United Heartland to increase our participation in their workers' compensation reinsurance arrangement this year. We are proud to partner with DMI in the administration of their workers' compensation program."

Individualized assistance and resources are given to each Member, safety audits are routinely conducted to aid the Colleges in complying with applicable local and federal standards. DMI regularly provides best-practice approaches to common risk management issues. An example is the KellerOnline subscription service that DMI purchased for each of the Colleges in 2010. This online tool can assist in developing audit programs and creating written safety plans, and can benchmark results. Additionally there are a number of training materials that can be customized for local College use.

Providing educational opportunities is another main focus of the R&LCC position. Quarterly instructional webinars, "DMI Presents..." are offered on a wide variety of topics. A risk and loss control focused "hot topic" article is published monthly in DMI's newsletter "The Incident Report". On-site OSHA 10-hour and 30-hour General Industry training is available to the Colleges at minimal cost - to date over 50 employees have received either 10-hour or 30-hour OSHA cards. Environmental Health and Safety (EHS) Meetings are held quarterly. These meetings provide an excellent opportunity to network with colleagues and participate in group discussions.

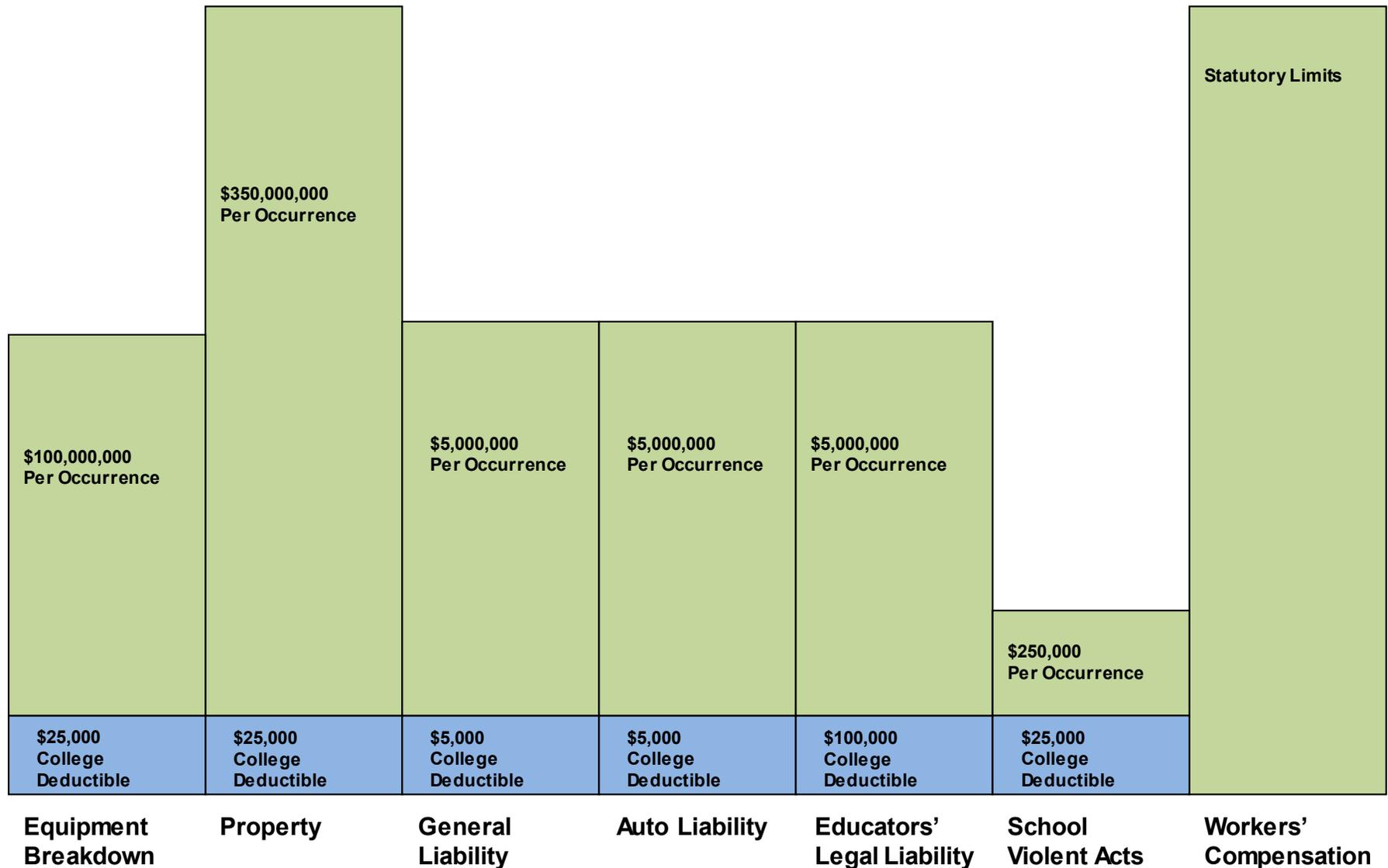
In the higher-education world, campus security concerns have heightened over that past few years. To help address these concerns, DMI contracted Empathia to review each College's Emergency Response Plan and provide a template to assist the Colleges' in developing their Disaster Recovery Management Plans. In concert with these efforts, DMI and Empathia provided several webinars and "live" training sessions on this topic. Another low-cost resource that DMI offers is on-site training for employees on responding to violent behavior in a non-violent way.

As you can see, DMI is focused on the needs of its Members. As the DMI Risk & Loss Control Consultant I look forward to providing even more resources and educational opportunities for our Members in the upcoming years!

Districts Mutual Insurance Has Got You “Covered”



The stacked bar chart below shows the many layers of coverage that make up the various Districts Mutual Insurance Policies





DISTRICTS MUTUAL INSURANCE

212 West Pinehurst Trail, Dakota Dunes, SD 57049

Tel: (605) 422-2655

www.districtsmutualinsurance.com