



# Attention, class! Training is key

**T**o help municipal governments identify and manage risk exposures, the education and training arm of the TML Risk Management Pool's Loss Control Department has partnered with the Municipal Technical Advisory Service's City University. The goal of this partnership is to provide a higher level of municipal government service.

Through this partnership, the Loss Control Department has developed and provided training for two recently created City University training programs.

The Elected Officials Academy, with course content that covers various aspects of municipal leadership and government, is a fairly new program designed exclusively for municipal elected officials. The program has two levels: The first is five two-hour sessions, while the second is 10 two-hour sessions. The Pool offers an introductory risk-management session during the first level and then a broader and more intensive training program, "Risk Management for Elected Officials," during the second level of this academy.

Before this year's TML Conference in Chattanooga, the "Risk Management for Elected Officials" training program will be offered during the City University pre-conference training sessions. This program will be Saturday, June 12, from 3:30 to 5:30 p.m. Interested elected officials who want to learn more about municipal liability and workers' comp during this pre-conference session should contact their local MTAS consultant for registration information.

The Municipal Management Academy is the second and newest local government training program being offered by

MTAS' City University. This academy offers basic management training for the new manager or supervisor and serves as a refresher course for experienced managers and supervisors. Currently, the Loss Control Department is providing two core curriculum training programs entitled "Risk Essentials for Municipalities" and "Respect in the Workplace & Workplace Violence."

In addition, the Loss Control Department continues to participate in the Municipal Administration Training Program offered through City University. During August 2003, the Loss Control and Client Services departments provided seven regional workers' comp administration training programs entitled "Workers' Compensation Essentials for Municipalities." Finally, the Loss Control Department continues to offer on-site safety and liability training to Pool members, as well as providing our members with access to our extensive video training library.

It is our belief that training is an essential component to developing and maintaining a sound risk-management program. Moreover, by informing elected officials and municipal managers of their current risk exposures and by sharing with them sound municipal risk management practices, it is our belief that local governments will be better equipped to respond to their respective risk challenges.

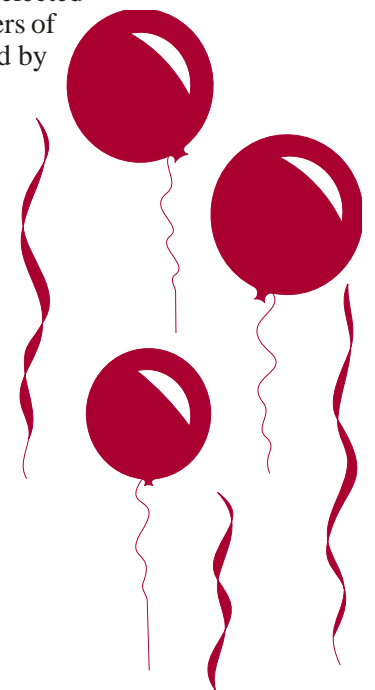
## Celebrate good times, come on!

Come one, come all as the staff and members of the TML Risk Management Pool celebrate the Pool's 25<sup>th</sup> anniversary. Of course you're invited – our success is because of you.

Please join us for a special Pool Party and Dance at the TML Annual Conference, as we celebrate 25 years of partnering with municipal members statewide.

The June 14 event begins at 6:30 p.m. and goes until 11

p.m., with the Hayward Bishop Band playing from 7 to 11. We'll have lots of food and fun and look forward to seeing you there!



# Viewpoint

By Lee Holland

It's a red-letter day for the Pool and its members. Or should I say a *silver*-letter day? This year marks the 25<sup>th</sup> anniversary of your TML Risk Management Pool. That's exciting for a number of reasons, and here are just a few.

The Pool started with just two Tennessee cities, which partnered to form an organization to share risks that normally were borne by a commercial insurance company. This was a first in Tennessee and took a special act of the General Assembly

to make it happen. From that humble beginning, the Pool now insures more than 90 percent of Tennessee cities and their agencies.

The Pool charges what is needed to pay claims and no more. If a surplus exists after a year's operation, then the excess is returned to the members in the form of a dividend. On the other hand, if the Pool as no excess funds for the year, there is no dividend. The TML Risk Management Pool does not assess its members. Several years ago, the Board of Directors formally took action which forbids the Pool to assess its members.

These are just a few things that make the relationship between the Pool and its members special. Join us to celebrate 25 years of pooling for Tennessee local governments.

## Base rates rise based on losses



Prior to each new fund year, the TML Risk Management Pool staff meets with the actuaries to review losses for all Pool members by line of coverage. In other words, we review all of the losses for all years for all members as a whole, with specific emphasis on the past five years, to determine the base rates for each classification that apply to all members. These base rates reflect the experience only of all Pool members, and they are approved by the Pool Board of Directors each March.

Thus, the following base rates will increase during the 2004-05 fund year, which begins July 1:

- Workers' compensation – 6 percent base rate increase for all rates,
- General liability – 5 percent base rate increase for all rates and
- Automobile physical damage – 10 percent base rate increase for all rates.

There will be no base-rate changes for law enforcement liability, errors or omissions liability, automobile liability, property and crime.

There are two individual base rates that are increased due to extremely poor loss experience. One is the no-fault sewer backup coverage endorsement rate, increased to \$54.23 per sewer mile, and the other is the attack dog rate, increased to \$668 per attack dog.

The experience rating modification calculation based on each individual member's losses for the past five years and the schedule rating modification calculation based on each individual member's safety and loss control efforts will apply, too, as it has in years past. Any change in exposures, any change in loss experience and trending for each member with consideration for both frequency and severity of losses, and any change in each member's loss control and safety efforts will be reflected in the total premium for the 2004-05 fund year.

### TML RISK MANAGEMENT

# POOL NEWSletter

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# No dividend — A curse, a blessing or a wash?

**F**or several years, the Pool's board of directors has declared a dividend distribution based on a formula targeting the previous fiscal year operating results. The financial results for June 30, 2003, were an operating break even. Consistent with this formula, the board declared no dividend to be distributed for the July 1, 2004, policy renewal year.

No dividend may be viewed by many as a curse, but it can also be viewed as a blessing. Although we attempt to

charge only what might be needed to pay claims, no exact science tells us what total claims will actually cost. A break-even year indicates that our estimates for required premium versus our needs for claims dollars were in the same ball park.

If and when we have another year when losses are less than the actuary's projection, resulting in an operating profit, we look forward to refunding to our renewing members their proportional share of a dividend declaration.

## Motorist and sewer coverage changes occur July 1

**T**wo changes to the TML Risk Management Pool liability policy will be effective July 1, 2004.

The first change applies to the optional uninsured motorist coverage endorsement.

Under automobile liability coverage, this optional endorsement provides all sums that the insured member is legally entitled to recover as compensatory damages from a financially irresponsible owner or driver of an uninsured motor vehicle. A new exclusion will exclude bodily injury sustained by an employee of the governmental entity, since employee injuries are already provided under workers' compensation. Thus, the amendment eliminates the possibility of coverage duplication.

The second change applies to the optional no-fault sewer backup coverage endorsement only. When it comes to general liability coverage, members choose from two options regarding sewer backup exposures. In both cases, the property damage limit that applies to these sewer backup claims is \$85,000 per occurrence. One option is strict adherence to the Governmental Tort Liability Act with liability for only those claims that occur in a member's sewer line for which the member has been negligent in cleaning or maintaining. The other option is the no-fault endorsement, under which there's coverage for any claim that simply occurs in a member's main trunk line, regardless of fault.

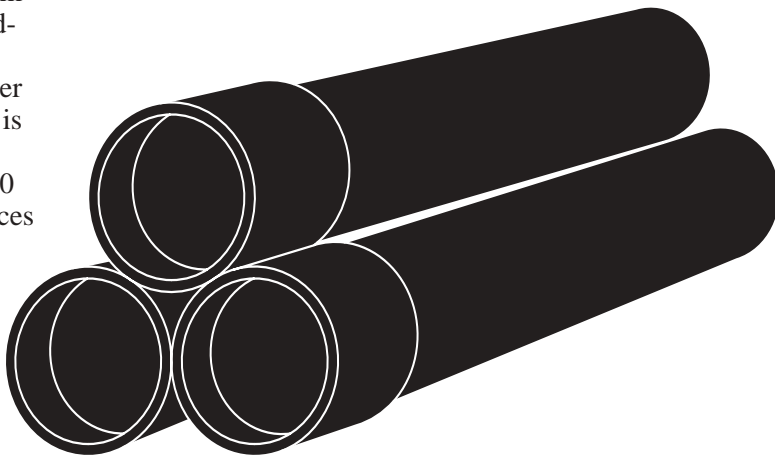
The Pool will continue to offer both options for sewer backup claims. The change in the no-fault endorsement is a mandatory \$10,000 per occurrence deductible for the first occurrence at any location and a mandatory \$25,000 per occurrence deductible for any subsequent occurrences at the same location per policy period. In addition, the rate for the no-fault endorsement increases to \$54.23 per sewer mile from \$26.22 per sewer mile.

Please note: No per occurrence deductible applies to sewer backup losses unless the no-fault endorsement is chosen by the insured member. If a member chooses GTLA-based coverage only, then the rate

per sewer mile is \$6.88 and no mandatory per occurrence deductible applies.

Recently, the TML Risk Management Pool conducted an analysis of sewer backup claims under general liability coverage. Because of several incidents of heavy rain and flooding in the past couple of years and failure by several members to maintain their sewer lines, the Pool as a whole has had some very adverse losses as a result of sewer backups. From July 1, 1998, through June 30, 2003, there were 923 sewer backup claims with a total incurred of \$4,154,549; the majority of those claims were paid under the no-fault sewer backup coverage endorsement option. To give you an idea of the problem, that amount is almost three times greater than the total incurred for law enforcement liability claims for excessive use of force for that same time frame.

It's important for each member to analyze sewer backup losses for the past five years to determine the impact these deductibles may have on your budget. It will be equally important to consciously make the choice between the GTLA-based sewer backup coverage and the no-fault sewer backup coverage endorsement option to best meet your needs.





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## Property appraisals free to members

At no cost to the TML Risk Management Pool's insured members, property appraisals by Huber & Lamb Appraisal Group Inc. are nearing completion. The purpose? To obtain current and adequate valuations on all locations to guarantee either full replacement cost or actual cash value coverage.

Not only is the appraisal a requirement from our reinsurers, but it's also a service to the municipal members for their own records and as a source of documentation in the event of a loss.

Huber & Lamb has been conducting these appraisals over the past several years, and most of them have been reconciled and mailed to the membership. We hope to complete the updat-

ing process for the remainder of the membership appraisals over the next fund year as property policies renew.

Each appraisal document has a summary of locations with addresses, occupancy descriptions, construction types, and both replacement cost and actual cash value valuations. There are also individual pages for each location with a color photo, occupancy descriptions, construction information, construction date, square footage, condition documentation and other pertinent information regarding construction quality.

If you have a question, please contact Laura Jungmichel in the Pool's Underwriting Department at 1-800-624-9698.



Joe Huff, executive director for the **Maryville-Alcoa-Blount County** Parks and Recreation Commission, recognizes that part-time employees can pose a full-time employment liability exposure. To address this issue, the commission developed written handbooks for lifeguards, concession-stand workers, maintenance workers and all other part-time employees. Each manual includes basic safety rules, a code of conduct, departmental rules and important policies like reporting systems for workplace harassment. Each employee also attends an orientation on these policies and signs for the handbook.

**Pigeon Forge**, a full-service city with 340 employees, has a five-year workers' compensation loss ratio of 54 percent. The city's success can be attributed to a very capable administrative staff headed by City Manager Earlene Teaster and to the safety emphasis maintained by Ken Cole, the city's code inspector and safety officer. Credit should also be given to department heads who are diligent about providing bimonthly safety training. Congratulations!

**Humboldt** has implemented proactive measures to reduce the city's exposure to financial loss and employee hazards in the workplace. Gerald Trimmer, the city's newly hired full-time safety director, conducts safety meetings monthly.

Take a look at Humboldt's improvements: Under way is a three-phase sidewalk improvement project that will rebuild approximately 25,000 feet of sidewalks in the city's existing system. The city is constructing six new ball fields and renovating two existing fields. All fields will have new concessions and bleachers. This project will place all fields near to most citizens. In addition, a new full-time turf manager maintains the fields and adjacent premises. In response to the devastating tornadoes in West Tennessee last year, all new emergency weather sirens will be installed during the upcoming fiscal year. Also, in the last two years, Humboldt reduced its workers' compensation dollar loss by approximately 50 percent and reduced its liability dollar losses for that same period by about 66 percent.

Town Administrator Bob Browning and the **Jonesborough** City Council are putting the brakes on escalating workers' comp losses and premiums. They adopted a comprehensive approach and partnered with Mountain States Alliance Work Steps program to validate the physical demands of their operational positions. The municipality submits all new hires to a battery of tests to assure the worker is fit for the work. Public Safety employees, who face the greatest risk for work-related injuries, have their own fitness center and a fitness program developed by a licensed physical therapist to promote wellness and assure workers stay fit for duty.