



Minnesota School Boards Association Insurance Trust

2004 Annual Report



**Serving
Minnesota's public
schools for 32 years**





MSBA Insurance Trust

Stability in turbulent times

A note from MSBAIT Chair Arlene Bush

Your Trustees

Arlene Bush
Bloomington



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Grygla-Gatzke



William Higgs
Wadena-Deer Creek



Joanne McCabe
Madelia



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Goodhue



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Red Lake



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Since the last report to the membership in June of 2003, the MSBA Insurance Trust (MSBAIT) has experienced growth in overall membership (with many of its new members being charter schools), total assets and reserves. As MSBAIT's reserves for anticipated future claims costs grow, so do its total assets and investments needed to cover those claims.

In addition, many member school districts took advantage of the reduced or no-cost appraisal program offered by the MSBAIT. Not only did the appraisals help districts to meet the GASB Number 34 requirements, but they also assisted districts in purchasing the appropriate level of coverage for their property (as expected, the appraisals pointed out that some districts were over-insured and some were under-insured).

Although Minnesota school districts were far removed from this fall's hurricanes which plagued the southern states, the tremendous losses that occurred prompted the MSBAIT Board of Trustees to anticipate that reinsurance costs will continue to escalate and impact the MSBAIT Group Self-Insured Property/Casualty Insurance Program.

Further, medical costs continue to increase, and that increase impacts the MSBAIT Group Self-Insured Workers' Compensation Insurance Program. Over 50% of the total dollars paid out in workers' compensation claims is to cover medical costs, and rate increases will likely again be needed to simply keep pace with medical cost inflation.

Nevertheless, by efficiently managing the MSBAIT's programs, by competitively purchasing reinsurance, by promoting good risk management and by promptly and appropriately adjusting its members' claims, the MSBAIT continues to fulfill its commitment of providing outstanding products and services to its members at competitive prices.

Sincerely,
Arlene Bush

MSBA Insurance Trust

480 Members Strong



MSBA Insurance Trust

Coverage you need

Property/Casualty

MSBAIT's Property/Casualty Program was established in 1972, and it became self-insured in 1986. The program offers mandatory property and general liability coverage and optional automobile, crime, boiler machinery and excess liability coverage. The program is fully reinsured by several A and A+ rated reinsurance carriers to protect the Trust's financial integrity. Members have received approximately \$12 million in dividends since the program's inception.



Errors and Omissions

Errors and omissions coverage was developed at the request of MSBAIT members. It became self-insured in 1991 to guarantee that districts would have access to such coverage even when it is unavailable through traditional markets.

Workers' Compensation

Established in 1979, MSBAIT's self-insured Workers' Compensation Program offers loyalty discounts and refunds. Members have received more than \$36 million in dividends.

Volunteer Accident Coverage

MSBAIT's Volunteer Accident Coverage was developed in 1993 at members' request to provide limited medical coverage for injured school district volunteers.

Long-Term Disability

Established in 1979, this program features a survivor's benefit at no extra cost, multi-year rate guarantees and higher maximums.

Group Term Life Insurance

Group Term Life Insurance also was offered because MSBAIT members requested it. It provides competitive, quality group term coverage. District policies can be crafted to duplicate the benefits outlined in negotiated contracts.



MSBA Insurance Trust

Services for members

Loss Control

Experts conduct **free loss-control** surveys for members. These surveys identify potential problems - anything from a **lack of eyewash stations** near injurious materials to the placement of heavy materials on cabinets not designed to support the weight load. These surveys keep premiums down by preventing accidents.

Training and Education

MSBAIT's training and education efforts help members control costs. Training comes in various forms such as **one-on-one**, **on-site inspection**, formal seminars and printed resources. In addition, training may be tailored to individual members based on their specific loss and claims history.

World-Class Claims Service

MSBAIT has well-trained, experienced claims staff to ensure appropriate outcomes. Claims are processed in a **prompt and thorough manner** and resolved through fair, equitable, and realistic evaluations.

Safeguards

MSBAIT maintains the necessary **financial safeguards** to keep the Trust **fiscally sound** and to **avoid extreme rate fluctuations**. Safeguards include **reinsurance**, **financial audits**, **independent claims audits** and **loss-control requirements**.





MSBA Insurance Trust

Financial Statement

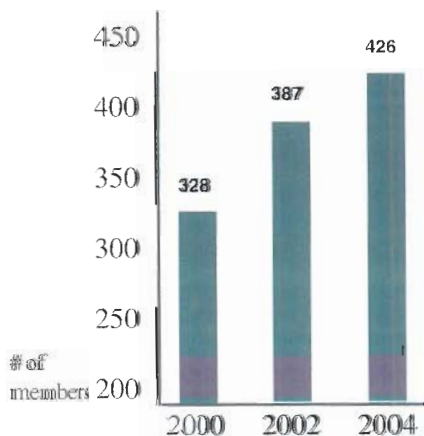
Balance Sheet - June 30, 2004

Assets	2004
Investments (fair value)	\$72,471,814
Cash	10,501,355
Accrued interest income	425,196
Contributions receivable	3,424,056
Reinsurance recoverables/other receivables	900,674
Prepaid reinsurance	970,543
Prepaid commissions	592,142
Total Assets	\$89,285,780
Liabilities and Fund Balances	
Accounts payable & accrued expenses	\$ 1,408,855
Reinsurance payable	9,420
Reserve for losses	70,866,551
Unearned contributions	<u>7,621,998</u>
Total Liabilities	79,906,824
Unrestricted Fund Balances	
Designated by Trustees	3,124,479
Undesignated	<u>6,254,477</u>
Total Fund Balances	9,378,956
Total Fund Balances and Liabilities	\$89,285,780

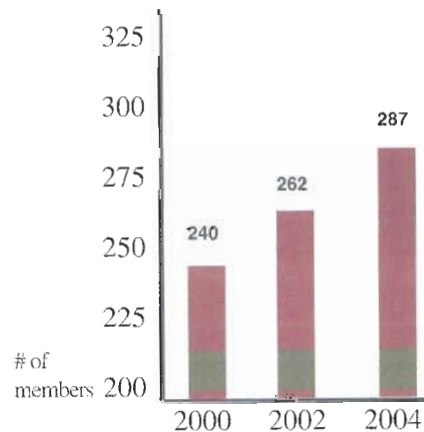
Statement of Revenues, Expenses and Losses, and Changes in Fund Balances - Year Ended June 30, 2004

Revenues	2004
Contributions	\$44,658,981
Reinsurance ceded	(6,733,358)
Change in unearned contributions	<u>(904,730)</u>
	37,020,893
Net investment income	3,871,448
Net unrealized gain on investments	(2,443,515)
Royalties	<u>158,773</u>
Total Revenues	38,607,599
Expenses and Losses	
Losses & loss adjustment expenses	34,007,845
Special compensation fund	1,427,199
Administration	1,568,881
Amortization of deferred policy acquisition costs	2,163,049
Other operating expenses	<u>1,665,534</u>
Total expenses and losses	40,832,508
Deficiency of revenues over expenses & losses	(2,224,909)
Fund balances, beginning	11,603,865
Fund Balances, end	\$9,378,956

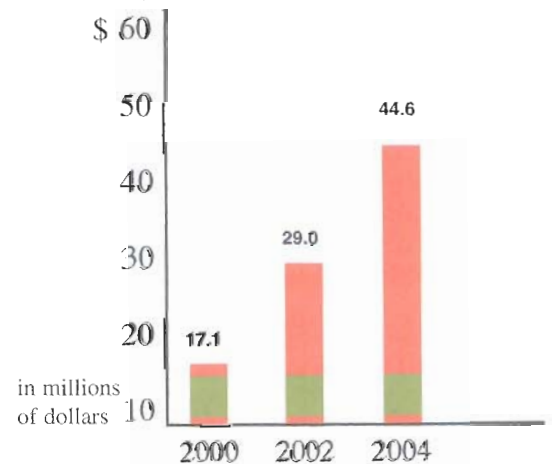
Workers' Comp. participation



Property/Casualty participation



Total contributions (amount of premiums), 2000-2004





MSBA Insurance Trust

Members: Security, Value, Service

ACADEMIA CESAR CHAVEZ
ACGC
ACHIEVE LANG. ACADEMY
ADA-BORUP
ADRIAN
AG & FOOD SCIENCE ACADEMY
AITKIN
ALBANY
ALBERT LEA
ALDEN-CONGER
ALEXANDRIA
ANNANDALE
ANOKA-HENNEPIN
AREA SP. ED. COOP.
ARTECH CHARTER
ASCENSION ACADEMY
ASHBY
AUGSBURG ACADEMY HEALTH
AURORA CHARTER
AUSTIN
AVALON CHARTER
BADGER
BAGLEY
BALATON
BARNESVILLE
BARNUM
BATTLE LAKE
BEACON ACADEMY
BECKER
BELGRADE-BROOTEN-ELROSA
BELLE PLAINE
BELLINGHAM
BEMIDJI
BEMIDJI REG. INT. COUNCIL
BENSON
BENTON-STEARNES ED. DIST.
BERTHA-HEWITT
BIG LAKE
BLACKDUCK
BLOOMING PRAIRIE
BLOOMINGTON
BLUE EARTH AREA
BLUE SKY CHARTER
BOLD
BRAHAM
BRAINERD
BRANDON
BRECKENRIDGE
BREWSTER
BROOKLYN CENTER
BROWERVILLE
BROWNS VALLEY
BUFFALO
BUFFALO LAKE-HECTOR
BURNSVILLE-EAGAN-SAVAGE
BUTTERFIELD-ODIN
BYRON
CALEDONIA
CAMBRIDGE-ISANTI
CAMPBELL-TINTAH

CANBY
CANNON FALLS
CARLTON
CARVER-SCOTT ED. COOP.
CASS LAKE-BENA
CEDAR MOUNTAIN
CEDAR RIVER ED. DIST.
CEDAR RIVERSIDE SCHOOL
CENTENNIAL
CENTRAL MN ERDC
CENTRAL MN ETS
CENTRAL SCHOOLS
CHASKA
CHIRON CHARTER
CHISAGO LAKES AREA
CHISHOLM
CHOKIO-ALBERTA
CHOSEN VALLEY
CLEARBROOK-GONVICK
CLEVELAND
CLIMAX-SHELLY
CLINTON-GRACEVILLE-BEARD.
CLOQUET
COLUMBIA HEIGHTS
COMFREY
COMMUNITY PEACE ACADEMY
CONCORDIA LEARNING ACAD.
COOK COUNTY
COON RAPIDS LEARNING CTR.
COTTONWOOD RIVER COOP.
CROMWELL-WRIGHT
CROOKSTON
CROSBY-IRONTON
CROSSLAKE COMM. SCHOOL
CROW RIVER SP. ED. COOP.
CYBER VILLAGE ACADEMY
CYRUS
DAKOTA AREA COMM. SCHOOL
DASSEL-COKATO
DAWSON-BOYD
DEER RIVER
DELANO
DETROIT LAKES
DETROIT LAKES COMM. ED.
DILWORTH-GLYNDON-FELTON
DOVER-EYOTA
DULUTH
EAGLE RIDGE ACADEMY
EAGLE VALLEY
EAST CENTRAL SCHOOLS
EAST CENT. MN CABLE COOP.
EAST GRAND FORKS
EAST METRO INTEGRATION
ECHO CHARTER
EDEN PRAIRIE
EDEN VALLEY-WATKINS
EDGERTON
EDINA
EL COLEGIO CHARTER
ELGIN-MILLVILLE

ELK RIVER
ELLSWORTH
ELY
EMILY CHARTER
ESKO
ESV REGION ONE
ESV REGION SEVEN - TIES
ESV REGION TWO
EVANSVILLE
EVELETH-GILBERT
FAIRMONT AREA
FAMILY ACADEMY
FARIBAULT
FARMINGTON
FERGUS FALLS
FERGUS FALLS SP. ED. COOP.
FERTILE-BELTRAMI
FILLMORE CENTRAL
FISHER
FLOODWOOD
FOLEY
FOREST LAKE
FOSSTON
FOUR DIRECTIONS CHARTER
FRASER ACADEMY
FRAZEE-VERGAS
FRESHWATER ED. DIST.
FRIDLEY
FULDA
GFW
GLENCOE-SILVER LAKE
GLENVILLE-EMMONS
GOODHUE
GOODHUE COUNTY ED. DIST.
GOODRIDGE
GRANADA-HUNTLEY-E. CHAIN
GRAND MEADOW
GRAND RAPIDS
GREAT EXPECTATIONS SCHOOL
GREAT RIVER ED. CTR.
GREENBUSH-MIDDLE RIVER
GREENWAY
GRYGLA-GATZKE
HANCOCK
HARBOR CITY INT'L. CHARTER
HASTINGS
HAWLEY
HAWLEY JT. POWERS ENTITY
HAYFIELD
HENDRICKS
HENNING
HERMAN-NORCROSS
HERMANTOWN
HERON LAKE-OKABENA
HIAWATHA VALLEY ED. DIST.
HIBBING
HIGHER GROUND ACADEMY
HILL CITY
HILLS-BEAVER CREEK
HINCKLEY-FINLAYSON

HMONG ACADEMY
HOLDINGFORD
HOPE COMMUNITY ACADEMY
HOPKINS
HOUSTON
HOWARD LAKE-WAV.-WINSTED
HUTCHINSON
INTERMEDIATE DIST. #287
INTERMEDIATE DIST. #916
INTERMEDIATE DIST. #917
INTERNATIONAL FALLS
INVER GROVE HEIGHTS
ISLE
IVANHOE
JACKSON COUNTY CENTRAL
JENNINGS EXPERIENTIAL H.S.
JORDAN
JWP
KASSON-MANTORVILLE
KELLIHER
KENYON-WANAMINGO
KIMBALL
KINGSLAND
KITTSOON CENTRAL
KMS
LAC QUI PARLE VALLEY
LACRESCENT-HOKAH
LAFAYETTE CHARTER
LAKE AGASSIZ SP. ED. COOP.
LAKE BENTON
LAKE CITY
LAKE CRYSTAL WELL. MEM.
LAKE OF THE WOODS
LAKE PARK-AUDUBON
LAKE SUPERIOR
LAKE SUPERIOR CHARTER H.S.
LAKES AREA CHARTER
LAKES COUNTRY SC
LAKES INT'L. LANG. ACADEMY
LAKEVIEW
LAKEVILLE
LANCASTER
LANESBORO
LAPORTE
LECENTER
LEROY-OSTRANDER
LESTER PRAIRIE
LESUEUR-HENDERSON
LEWISTON-ALTURA
LIBERTY HIGH CHARTER
LITCHFIELD
LITTLE CROW TELEMEDIA NET.
LITTLE FALLS
LITTLEFORK-BIG FALLS
LONG PRAIRIE-GREY EAGLE
LUVERNE
LYLE
LYND
MABEL-CANTON
MADELIA



MSBA Insurance Trust

Members: Security, Value, Service

MAHNOMEN
MAHTOMEDI
MAIN ST. PERFORMING ARTS
MANKATO
MAPLE LAKE
MAPLE RIVER
MARSHALL
MARSHALL COUNTY CENTRAL
MARTIN COUNTY WEST
MATH & SCIENCE ACADEMY
MCGEE INSTITUTE TECH.
MCGREGOR
MCLEOD WEST
MEDFORD
MEEKER-WRIGHT SP. ED. COOP.
MELROSE
MENAUGA
MESABI EAST
METRO LEARNING ALLIANCE
METRO SC
MID-STATE ED. DIST.
MIDWEST SP. ED. COOP.
MILACA
MILROY
MINNEAPOLIS
MINNEAPOLIS ACADEMY
MINNEOTA
MN ACADEMY TECH.
MN BUSINESS ACADEMY
MN INT'L. MIDDLE SCHOOL
MN INTERNSHIP CENTER
MN MULTI-REG. AGENCY
MN NORTH STAR ACADEMY
MN RIVER VALLEY ED. DIST.
MN RIVER VALLEY SP.ED. COOP.
MN TRANSITIONS CHARTER
MN VALLEY COOPERATIVE
MN VALLEY ED. DISTRICT
MINNETONKA
MINNEWASKA
MONTEVIDEO
MONTGOMERY-LONSDALE
MONTICELLO
MOORHEAD
MOOSE LAKE
MORA
MORRIS
MOUNDS VIEW
MOUNTAIN IRON-BUHL
MOUNTAIN LAKE
MURRAY COUNTY CENTRAL
NASHWAUK-KEEWATIN
NETT LAKE
NEVIS
NEW CENTURY CHARTER
NEW HEIGHTS CHARTER
NEW LONDON-SPICER
NEW PRAGUE
NEW SPIRIT SCHOOL
NEW ULM
NEW YORK MILLS

NICOLLET
NOBLES COUNTY INTEGRATION
NORMAN COUNTY EAST
NORMAN COUNTY WEST
NORTH BRANCH
NORTH CENTRAL SC
NORTH COUNTRY VOC. COOP.
NORTH LAKES ACADEMY
NORTH SHORE COMM. SCHOOL
N. ST. PAUL-MAPLEWOOD-OAK.
NORTHEAST SC
NORTHFIELD
NORTHLAND
NORTHLAND AREA LEARN.
CTR.
NW REGIONAL INT. COUNCIL
NORTHWEST SC
NOVA CLASSICAL ACADEMY
NRHEG
NW - LINKS
NW SUBURBAN INT. DIST.
OAK LAND VOC. CTR.
ODYSSEY CHARTER
OGILVIE
OKLEE
ONAMIA
ORONO
ORTONVILLE
OSAKIS
OSSEO AREA
OWATONNA
PACT CHARTER
PARK RAPIDS
PARKERS PRAIRIE
PARTNERSHIP ACADEMY
PAYNESVILLE
PELICAN RAPIDS
PEQUOT LAKES
PERHAM-DENT
PIERZ
PILLAGER
PILLAGER AREA CHARTER
PINE CITY
PINE ISLAND
PINE RIVER-BACKUS
PINE TO PRAIRIE COOP.
PIPESTONE AREA
PLAINVIEW
PLUMMER
POMME DE TERRE ED. DIST.
PRAIRIE SEEDS ACADEMY
PRINCETON
PRIOR LAKE-SAVAGE AREA
PROCTOR
QUAD COUNTY PROJECTS
RANDOLPH
RED LAKE
RED LAKE FALLS
RED ROCK CENTRAL
RED WING
REDWOOD AREA

RENVILLE COUNTY WEST
RESOURCE TRAINING & SOLUT.
RICHFIELD
RIVER BEND ED. DIST.
RIVER HEIGHTS CHARTER
ROBBINSDALE
ROCHESTER
ROCHESTER OFF-CAMPUS
ROCKFORD
ROCORI
ROOT RIVER ED. DIST.
ROSEAU
ROSEMOUNT-APP. VAL.-EAGAN
ROSEVILLE AREA
ROTHSAY
ROUND LAKE
ROYALTON
RUNESTONE AREA ED. DIST.
RUSH CITY
RUSHFORD-PETERSON
RUSSELL
RUTHTON
SAGE ACADEMY
SARTELL-ST. STEPHEN
SAUK CENTRE
SAUK RAPIDS-RICE
SCHOOLCRAFT LEARN. COMM.
SEBEKA
SHAKOPEE
SIBLEY EAST
SKILLS FOR TOMORROW CHAR.
SLEEPY EYE
SOJOURNER TRUTH ACADEMY
SOUTH CENTRAL SC
SOUTH KOOCH-RAINY RIVER
SOUTH ST. PAUL
SOUTH WASHINGTON COUNTY
SOUTHEAST SC
SOUTHERN PLAINS ED. COOP.
SOUTHLAND
SOUTHWEST & WEST CENT. SC
SPRING GROVE
SPRING LAKE PARK
SPRINGFIELD
STAPLES-MOTLEY
STEPHEN-ARGYLE CENTRAL
STEWARTVILLE
STILLWATER
STUDIO ACADEMY
ST. ANTHONY-NEW BRIGHTON
ST. CHARLES
ST. CLAIR
ST. CLOUD
ST. CROIX PREPARATORY ACAD.
ST. FRANCIS
ST. JAMES
ST. LOUIS COUNTY
ST. LOUIS PARK
ST. MICHAEL-ALBERTVILLE
ST. PAUL
ST. PAUL CONS. PERE. ARTISTS

ST. PAUL FAMILY LEARN. CTR.
ST. PETER
SWANVILLE
TAREK ACADEMY
TEAM ACADEMY
THIEF RIVER FALLS
TRACY
TREKNORTH HIGH SCHOOL
TRI-COUNTY
TRIO WOLF CRK. DIST. LEARN.
TRITON
TRUMAN
TWIN CITIES ACADEMY
TWIN CITIES INT'L. CHARTER
TYLER
UBAH MEDICAL ACADEMY
ULEN-HITTERDAL
UNDERWOOD
UNITED SOUTH CENTRAL
UPSALA
VERNDALE
VILLAGE SCHOOL NORTHFIELD
VIRGINIA
VOYAGEURS EXPED. H.S.
WABASHA-KELLOGG
WABASSO
WACONIA
WADENA-DEER CREEK
WALKER-HACKENSACK-AKEL.
WARREN-ALVARADO-OSLO
WARROAD
WASECA
WASIOJA ED. TECH. COOP.
WATERTOWN-MAYER
WATERVILLE-ELYSIAN-MORRIS.
WAUBUN-OGEMA-WHT. EARTH
WAYZATA
WEST CENTRAL AREA
WEST CENTRAL ED. DIST.
WEST METRO ED. PROGRAM
WEST ST. PAUL
WESTBROOK-WALNUT GROVE
WESTONKA
WHEATON
WHITE BEAR LAKE
WILLMAR
WILLOW RIVER
WIN-E-MAC
WINDOM AREA
WINONA
WOODSON INST. STUDENT EX.
WORTHINGTON
WORTHINGTON LANG. ACAD.
WRENSHALL
WRIGHT TECHNICAL CTR.
YELLOW MEDICINE EAST
ZUMBRO ED. DIST.
ZUMBROTA-MAZEPPA



MSBA Insurance Trust Board & Staff



From left to right: (Back row) Roy Nelson, Gary Anderson, Keith Young, Joanne McCabe, Sue Honetschlager, Denise Drill, John Sylvester, Bob Meeks. (Sitting) William Higgs, Arlene Bush and Bruce Peterson.

MSBA Insurance Trust Contacts

Gregg Murray, Berkley Risk Administrators Co., LLC, 612-766-3304 or 800-449-7707, Property/Casualty, Errors and Omissions, Workers' Compensation, and Volunteer Accident.

Rob Keller, Schools Insurance Fund, 952-941-7372 or 800-443-6911, Life and Long-Term Disability.

John Sylvester or Denise Drill, MSBA, 800-324-4459.

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