

NATIONAL EDGE & TA



Minutes of the Board of Directors Conference call held Feb 16th 2003

Subject: Insurance

Roll Call:

Curtis Cook
Dick Tombrink
Cliff Northcote
Howard Hodson
Tim Wade
Bill Keene
Jerry Mac Martin
Ruth Warnock

Time: 7:32 West Coast time

Meeting called to order by President Curtis Cook, welcomed all and turned the meeting over to Dick Tombrink.

Dick: We talked with Charlie last week and what the premium cost might be. At this point he had no idea what it was going to be. He said based on historical data he thinks it will be in the league of a 50% increase according to what he has been seeing. He said it could be 100%, he said he didn't think it would be, but it could be. So on that basis I have put together a spreadsheet that I will go through will all.

What I did was I looked at the cost of insurance for this year and our initial premium was \$21,000.00 plus the Excess of \$10,500.00, which is a total of \$31,500.00.

Curtis: Question. That was for how many members?

Dick: Well that's kind of the question. I have heard 6600, I've heard 7000, so it was somewhere in that league.

Cliff: Correct

Dick: So if we are looking at a 50% increase we could be looking something in the order of \$6.75 a member? If we are looking at 100% then we are looking at \$9.00 per member. Since we don't think it is going to be 100%, let's look at the 50% for a minute and let's assume that for example we looked at say \$6.50 as the charge for the members. The remainder, say .25 cents we could kick in from the reserve that the Early Day Gas Engine & Tractor Association has. Based on \$6.50 that would amount to subsidy right up front of \$1750.00 but as time goes on and say we get up to 9000 members we are looking at a subsidy of \$2250.00. So that would be what we have to subsidize this with.

Now if we were looking again at our members paying \$6.50 and our insurance increased 100% then we are looking at a greater subsidy, we are looking at a subsidy up front of about \$17,500.00 or after we have 9000 members towards the end of the year we are looking at a subsidy of \$22,500.00.

I talked with Ruth and I asked her what our reserve was, what we have in savings and the checking account. We have \$23,800.00 and some in savings and we have \$26,300.00 and some in checking which adds up to be about \$50,000.00. We also last year had an excess of \$14,000.00 so I guess that we could expect that we would have an excess this year of probably in that same league. So if we did go up to 100% and we had to pay out \$22,000.00 we have got the funds to do that unless somebody thinks this is earmarked for something different.

I also went through some other scenarios. I went through 6.00 and 6.25 and I can go over those if you want. If we were looking at \$6.25 for example with 100% increase then we are looking \$24,750.00 subsidy at the end of the year at 9000 members. So that went from \$22,500 subsidy to \$24.750 subsidy.

At this point, are there any questions? Is everybody kind of following what I am doing here?

Jerry: What about if we figure it at 100% this year and the following year they give us an increase. How are we going to attack that?

Dick: I guess we would have to get together again and decide what we are going to do next year. I guess my feeling is I'm not sure we need to have to have a \$50,000 reserve, I think we should probably start whittling away on that and a good way to whittle away on that is with the insurance. If there is an increase next year I think we can look at how much we would want to reduce our reserve or how much we would want to put towards the subsidy on the insurance.

Cliff: I have a question.

On the Excess. We are talking two different policies, correct? The Excess Line and the General Liability policy?

Dick: Yes, basically it is the same as what we had this year.

Cliff: O.K., where I got in trouble with Larry last year is when I questioned on the Excess line. Historically on all of the paper work I have had, and this goes back where I have been sent a lot of stuff to, I just took it and most know where it come from, it came from Floyd, but the Excess line has always been a flat rate policy, it's an umbrella policy, and I don't know how it works all over, I know on my own businesses, my Excess line has always been a flat rate.

Dick: The premium hasn't changed? By flat rate?

Cliff: By flat rate it means it doesn't care how many members you have, it was \$10,500 last year and Larry broke it down at 7000 members at \$1.50 per person, but if we go over that, my understanding from the insurance company was that that premium didn't go up. We didn't pay any more on that premium because that was a flat rate policy. I never could get that in writing from anybody. What I am trying to get to is that we are basing this on, and if we do in fact have a flat rate policy on Excess lines the subsidy that we have to put in wouldn't be as great, let's put it that way because we would pay a flat rate of \$ 10,500 and we don't pay above that. Even if it that goes up by 50% we would still have a cushion there.

Curtis: I understand you Cliff, but if it is purchased on 7000 and we are audited at the end of the year and there is 9000 can they not turn around and say we owe them the difference?

Cliff: Well that's where I got into problems with Larry because that's what I questioned him, and he said basically it is a flat rate policy and then that's when I asked where is that extra 1.50 going per person and that's what I never got an answer to.

Curtis: Understood, and also understand and that we were never told there was an audit.

Cliff: True.

Curtis: And the way the policy is written and the way the two agents reviewed it before, correct me if I'm wrong here Tim, but it had to have been audited. So that tells me then that Larry sent in the initial numbers for the 7000 and during the year he banked that money until the end of the year knowing he would have to come up with the other 2,3,4,5 thousand, whatever was the difference. But he never told EDGE&TA anything about an audit or what was done.

Cliff: Yea, I never knew of anything, but the General Liability I can see, but back to the Excess line, it is something we want to find out. If it is a flat rate based on exposure of events and so forth and not on quote membership.

Curtis: Tim, what did you find out on that, cause you talked to both agents on that Excess Policy

Tim: I can tell you that the Excess Policy will be half the value of the General Liability. If the General Liability is \$25,000. Then the Excess will be \$12,500. That's the way that works. As far as value goes, it is half of the other policy.

Cliff: And that makes sense since last years policies were \$21,000 and \$10,500.

Tim: Yes, and both policies are can be audited. There is writing in there that says that.

Cliff: Then the Excess line is tied to membership then.

Tim: I can't say yes or no cause I don't have it in front of me Cliff, I do know that the writing is in both that they are can both be audited.

Curtis: So if the were audited, it would be based on numbers.

Tim: yes

Cliff: Or events.

Curtis: I don't think there is any language on events is there Tim?

Tim: No, it is only on membership.

Cliff: O.K. That was just a question I had, I didn't know if it would help us in any way.

Curtis: Well we found out from the person that Tim has been talking to, prior to, and also Charlie, a lot of information that we have never had.

Cliff: O.K. that probably would have helped us a long time ago.

Curtis: I agree Cliff, we can point fingers and we can do all sorts of things, but it is history, and all we can do is put it behind us and move forward.

Cliff: That's right.

Curtis: What Dick is proposing is Scottsdale has come back to Charlie and has requested, as you probably seen in the emails, a new application. For the life of me, and the life of Charlie and Dick and Tim we don't know why when all we have done is change agents.

Dick: That's correct,

Curtis: By the new application going in it is putting us anywhere from 2 to 8 weeks behind the eight ball. That is the total reason for this call so we can get something out because Ruth has been beat up severely.

Dick: you can correct me here, there is no indication here that Scottsdale is not willing to renew.

Dick: That's right, we have no reason to think that they are going to be reluctant to renew.

Curtis: The big deal here is the cost. You were not all privy to the matrix that Dick put together but it appears that probably the \$6.50 price is going to be somewhat close to real from what I understand.
Is that not correct Dick.

Dick: Agreed. It really all depends on how much we want to take out of the reserve I guess. How much we want to subsidize the insurance. \$6.50 seems like a reasonable number because if we have a 50% increase which we think it's probably going to be in that league, then our subsidy is not going to be that great, it's \$2250.00 for example at the end of the year.

Curtis: At 9000 members.

Dick: At 9000 members.

Cliff: Are we still talking \$1000.00 deductible?

Dick: I think we are, aren't we?

Curtis: That's what was in the policy Cliff, Tim asked for a quote based on the policy of last year.

Cliff: O.K

Jerry: Are we still going to pay the \$1000.00 deductible this year?

Curtis: Well we haven't paid it yet.

Dick: To answer your question Jerry, in the event of an accident, if we have \$1000.00 deductible I think we have said we would pay it, correct?

Jerry: For this year, but the new business year, are we going to do it again? When this starts in April 15th or 16th, are we going to do this again?

Curtis: Well I think we need to make this decision.

Jerry: The last time when we did it, it was my understanding it was just for this year.

Cliff: We based that on a year to year bases.

????: o.k.

Jerry: Right

Dick: I guess I just assumed that was something we were going to carry on forward. I wasn't privy to those previous conversations.

Jerry: It was my understanding that year by year we were going to do this. Play by ear.

Cliff: Now to give you all a heads up on the claim that took place down in Louisiana, to date I have not received one indication of we owing any money to anybody.

Howard: To date I have not been able to get any information from anybody about that club.

Curtis: The last conversation I had with Mr. Burchfield was the claims adjuster called him and said when I get it finished I will send it to you.

Howard: I have sent letters to the individuals and to the president. I have no indication that they ever received them. I have had no word.

Curtis: Well Larry had one indication that one of the two claims, because there were two claims, was taken care of. Now what Larry told me was taken care of by the claims adjuster, he had not an earthly idea because he had received no paper work on it. So whether this comes back to bite us, I don't know. I think we need to be aware that we might still have a \$2000.00 bill setting there yet. Someplace. But I do agree with Dick, we have reserves and I don't think to be prudent people for EDGE&TA we need to be setting there with 50,000-75,000 of money.

Cliff: It's the member's money.

Curtis: That's correct, it is there money, not ours. I like Dick's proposal the \$6.50, personally, that seems to be in line with what Charlie has told him and it also happens to be in line with what Tim's agent was telling him the price increase would be roughly. Is that correct Tim?

Tim: That's correct. He told me an average of 30%. He said that is an average, it could be higher, it could be lower.

Dick: 30% would be less than what I am figuring. I'm looking at a 50% increase to get to the \$6.50, but then there is a little bit of a subsidy that we would have to kick in.

Curtis: I think what Tim was looking at was based on \$5.00. 30% on \$5.00 would be \$1.50. So that's what I did, use the \$5.00 at a 30% increase which would take us to \$6.50.

Dick: O.K.

Curtis: Because everybody paid \$5.00 last year.

Cliff: Right

Dick: \$31,500

Curtis: I think a statement was made from Mr. Wade from his agent was that Scottsdale was probably the best in the market to be where we are at and if we can keep them we best keep them.

Tim: Agreed.

Curtis: I think we have about 3 issues we have to handle.

1. We have to come up with a price that we want to go to the membership with.
2. Ruth is going to send a letter out and we have to decide what we are going to do with that.
3. Decide if we are going to continue to pay the \$1000.00 deductible for the branches.

On the \$1000.00 deductible, I personally think we ought to leave it in there to take care of them. To help keep clubs happy as well as give them the other positives, because we know some of the complaining that is going to happen when we tell them it is \$6.50. So those are the 3 items I think we have to cover. Does anyone disagree with those three items?

O.K., what is the feeling, is \$6.50. I'll ask Ruth to do a roll call on the \$6.50

Roll call taken by Ruth. All were in favor.

Curtis: Second item. How do we want to go out to the branches. Do we want to go out with i.e. Ruth's letter?

Ruth: Curtis I did not send that to everyone, just to you and the insurance committee. I will read it to all.

Discussion

Curtis: Asked for the final to be run past Curtis and Dick

Ruth: Agreed

Curtis: Third item. Are we going to continue with the \$1000.00 deductible paid by EDGE&TA?

Roll call taken by Ruth. All were in favor.

Ruth: On this letter going out to the branches. At the time this letter goes out, I do have to tell them how to conduct business. So do I add on to it that all of the premiums and dues will be coming to me?

Curtis: Yes.

Ruth: Reporting of events?

Dick: We better talk to Charlie about that. That is something that really hasn't been discussed in detail with him. He is still getting the applications and so forth for Scottsdale.

Howard: Why don't we tell them that to have their show roster ready and as soon as we know we will have them send them to the proper address.

Curtis: Just put in your letter to hold your event list until further notice.
One other thing we are trying to do is get blanket additionally insured on top of it. I found out from Larry he applies for anywhere from 30-50 additionally insured certificates and Scottsdale brought it up that they wanted to go with a blanket. Wanted to go with a blanket and that is what we have asked Charlie to do. Incorporate it into the policy.

Tim: Scottsdale was interested in streamlining it because they had so many individual requests they just wanted the blanket.

Ruth: That's probably why they went to \$100.00

Ruth: Well it is a lot of extra paperwork

Curtis: It would be very similar Jerry and Cliff to what was done in CA. Not sure how it all went about. Charlie is having to work these things out and unfortunately things are not as clear as they should have been or could have been or whatever.

Jerry: Can we go back to additionally insured for a minute?

Curtis: Yes.

Jerry: Who is going to pay that additional charge?

Curtis: We are trying to incorporate it into the policy.

Jerry: There will not be any additional charge then?

Curtis: We don't know that there will not be an additional charge. We are trying to incorporate into the policy. Hopefully the \$6.50 will cover it. What Scottsdale was talking about, Tim, was something like a \$1500.00 flat rate.

Tim: That's what I remember

Curtis: \$1500.00 flat whether you had one additional insured or if you had 500 additional insured.

Jerry: Which we, the national, would pay?

Curtis: It would be paid in the initial premium.

Jerry: I got it, it will be in the 6.50.

Curtis: That's right.

Ruth: One more question. I know as soon as I go out the branches are going to ask about the extra insurance policy that Larry had. What is my answer supposed to be? You know the one for individual members? ??? the 1.25.

Dick: I don't have any information from Charlie on that. He has been told we want it, but I don't have any information back from him on that. At this point I would assume we are going to get it but I don't have any confirmation on it.

Jerry: Let's talk about one more thing. What about the insurance to and from home?

Curtis: What do you mean to and from home?

Jerry: To and from shows.

Curtis: Are you talking about the liability or the accident?

Jerry: The accident

Curtis: That was just answered,

Howard: That was on the liability

Cliff: That's 1.25 per member and every member in the club had to have it

Curtis: And there had to be a minimum of 80 members

Jerry: That's not the one I'm talking about.

What I'm talking about is that an EDGE&TA member is insured from the time they leave their house until they return for liability.

Cliff: Jerry that is not correct. I went through this with Larry last year and come to find out, that was not the way it worked. I know a lot of club members are under the assumption that they have that coverage.

Cliff: They do not and they have never had that.

Jerry: Oh

Cliff: The only way that comes into affect is if you unloaded your tractor from your trailer because you had a flat tire on your trailer and then your tractor backed over somebody after it was unloaded then it would kick in.

Jerry: They never got that part.

Cliff: I know that I went through this many many times. There is not coverage for that, There is a very small window of opportunity for that.

Curtis: Like Cliff said, if you took your tractor off the trailer or your engine and then if it fell on somebody it would be covered. As long as the dates were both sides of the event. Is that not correct Cliff?

Cliff: That's correct.

Curtis: Your auto liability would take care of the other accidents.

Cliff: There were a lot of branches that thought they had coverage.

Ruth: In the beginning when trying to assure the branches of the good insurance we had things were misunderstood.

Curtis: I would still want them to report for travel time. Because even though, as Cliff said, that small window of opportunity is there, it could be there. They would need that.

I have been places that have unloaded their tractor at a motel for some reason, and if something were to happen they would be covered.

The other item I have and I have one more and we are a little bit over, but the web site, and I think I said to you Ruth, may end up with two parts on it. Finishing up to April 15th and one forward.

Ruth: O.K.

Curtis: We don't know until we get more information from Charlie. I don't know how much Charlie has deciphered our web site, because not everything on there is probably going to be correct for the new policy.

Ruth: I'll work with Jerry on that and we'll get the new stuff going on the 2003-2004 policy

Curtis: Yea, so that's where you might be Jerry you might have to up to April 15th and April 15th forward.

Jerry: Right

Ruth: I have not received the stickers or buttons. They were supposed to be here on Sat. so I am anticipating Tuesday.

Curtis: Holiday has probably messed it up. Unless one of them is in the snow belt.

Ruth: Jared told me the stickers had been shipped. I received the bill for them.

Curtis: Does anybody have anything else?

Howard made the motion to adjourn

Cliff seconded

All in favor.

Meeting adjourned 8:07 West Coast Time

**Respectfully submitted,
Ruth A. Warnock, Secretary**