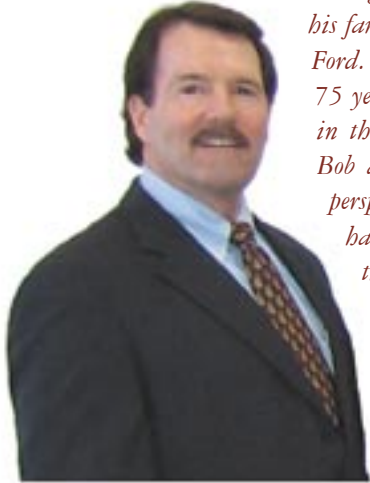


July 2008

Nuts & Bolts

Nuts and Bolts is a newsletter published by the Texas Automobile Dealers Self Insurers Group (TADSIG) for members and prospective members. The mission of the newsletter is to provide news regarding TADSIG and practical information about workers' compensation topics that can benefit Texas automobile dealers. Through this publication, we intend to provide a source of reliable and objective information dealers can use to control their total cost of risk relative to workers' compensation costs.

Boggus Gains Competitive Advantage And Gets Bottom Line Results



Bob Boggus is the third generation of his family to own and manage Boggus Ford. This year the dealership celebrates 75 years of successfully doing business in the Rio Grande Valley of Texas. Bob and his family bring a unique perspective to the automobile business having operated the business through the inevitable up and downs of the economy over time. This perspective enables Bob to see the long-term and make decisions that are in the best interest of the business. Bob is a long time leader within TADA

including serving as Past Chairman. Serving as the current Chairman of TADSIG is the latest and one of the most important endeavors he has championed to advance the cause of Texas auto dealers.

What prompted you to become involved with TADSIG from the start? First, the ownership concept and having direct input to the organization that provides our workers' compensation makes a lot of sense. Through my contact with auto dealers throughout the country, I had learned about the benefits of self-insurance groups and gained from their perspective of having more than 10 and in some cases 20 years of successful experience with their association's program. When Texas passed legislation in 2005 to allow associations to create insurance groups, I was excited that Bill Wolters and TADA decided to form such a group so that Texas dealers could reap the same benefits so many other state automobile associations have been enjoying for years. I was very supportive of the initiative and was proud to become a founding member. Knowing the experience and qualifications of the professional organizations hired to administer the program, I knew that TADSIG was being built the right way and was positioned for success over the long-term

What has been your dealership's experience with TADSIG since joining the group? The first thing that became apparent to me was a fundamental shift in the paradigm about workers'

compensation. Whereas, many insurance companies are often more interested in processing a claim and moving on to the next claim, TADSIG approaches workers' compensation much differently. First, the folks at TADSIG place a real emphasis on the prevention of losses by doing on-site safety reviews, communicating regularly about safety related issues and providing us with a playbook of best practices to follow.

When an accident does happen, the dedicated claims professionals with Brentwood Services are immediately involved to achieve optimal claim resolution. First, a thorough investigation is completed to verify merits of the claim followed by personal attention to ensure injured employees receive quality medical care. Proactive communication with the employee, dealership representatives and medical providers is maintained until conclusion of the claim. Early return to work through modified duty is aggressively pursued. As a matter of fact, until Brentwood Services started working with us as a part of TADSIG, we rarely had employees return to work on a light duty basis to get them back into the working environment. Improving our overall results, TADSIG takes a much more engaged and proactive approach to workers' compensation that makes a real difference in lowering the cost of workers' compensation and our overall results.

How do you see TADSIG as an investment rather than just another expense? That is simple in that much like investing in a new frame machine for our body shop or hiring new sales staff, by becoming a member-owner of TADSIG, we derive economic benefit from better workers' compensation results which translates to our bottom line. Beyond that, when TADSIG generates a surplus from operating results, deserving dealers have the opportunity to share in dividends.

What kind of workers' compensation results has your dealership posted since joining TADSIG? The results have been fairly dramatic. Before becoming a part of the TADSIG program, our dealership was experiencing over 30 workers compensation claims per year costing over \$165,000. Since 2005 when we became one of the first members of TADSIG, our workers compensation claims have declined from approximately



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Nuts & Bolts – P.2



30 claims per year to 17 claims per year resulting in more than a 43% reduction in the number of claims. This significant reduction in the number of claims translates to lower direct workers' compensation costs and greater productivity because we don't suffer the lost work hours and keep our people working and productive.

Not only have the number of claims declined since joining TADSIG, but the severity of the claims or how much is paid out per claim has dropped substantially. Before, TADSIG, the average cost per claim at our dealership was \$5,500. In fact, the year just prior to joining TADSIG our cost per claim jumped to \$6,400 per claim. Since becoming part of TADSIG, the trend has improved dramatically. In the most recent years, including 2006 and 2007, the cost per claim declined to \$2,900 and \$1,600 per claim respectively. This represents more than a 50% reduction in the direct costs per claim. Studies show that for every dollar paid out for workers' compensation claims, the dealership's bottom line is adversely impacted by a total of three dollars in the form of lost productivity, poor employee morale, and other associated soft costs.

From an overall perspective, prior to joining TADSIG, our average workers' compensation claim costs on a per \$100 of payroll basis was \$1.66. The three-year average since joining TADSIG is \$0.55. This substantial improvement in our workers' compensation results is a direct result of the very real change in the paradigm that comes with being part of TADSIG. A more comprehensive workplace safety and education program, better investigation into questionable claims, careful administration of claims and the implementation of TADSIG's "Best Practices" playbook have all contributed to our success.

What would you say are the most important reasons for TADA members to join TADSIG ?

1. TADSIG is governed, owned and operated by the very people that the group was created to benefit, Texas automobile dealers. This fundamental difference gives dealers a strategic advantage since we know our business better than even the longest tenured insurance company. As has been proven by more than 15 other state automobile dealers self-insurance groups, no one more fully understands the workers' compensation issues that impact our business than the dealers themselves.

2. In one word, control. Now more than ever dealers are faced with challenges that extend beyond their sphere of control. TADSIG allows us to harness our collective resources in providing an at-cost workers' compensation option that is completely under our control. Not being at the mercy of cyclically operated and profit driven insurance markets presents a tremendous opportunity for dealers.

3. TADSIG just celebrated its third anniversary but more important than this milestone is the 100% retention rate that has been achieved in each of the last three years. The group is proving its purpose and is demonstrating what is possible when dealers roll up their sleeves and become actively engaged in creating a better way of securing cost-effective workers compensation. TADSIG member-owners have earned more than \$2.4 million in discounts since the program inception. On top of those discounts, TADSIG has produced an incurred loss ratio below 40% for each of the last two years. Combine this phenomenal loss performance with an expense ratio that has continued to decrease to a current rate under 30% and what results is a healthy surplus that will eventually be returned as dividends or used to reduce rates.

4. Workers' compensation is viewed by most dealers as a pure insurance expense. However, TADSIG's buy from yourself approach makes workers' compensation more of an investment. By investing in ourselves and taking responsibility for preventing employee injuries, the member contributions (premium) that exceed what is needed to pay for losses and expenses creates a surplus that will be used to lower the total cost of ownership.

5. TADSIG is not only owned and operated by dealers it is endorsed by TADA. Carrying the TADA endorsement conveys the utmost confidence and support of our state association and the dealers that are represented. Mutual benefit is gained through this partnership as TADSIG pays TADA a sponsorship fee in exchange for the endorsement. Knowing that your investment is not only providing for your workers' compensation needs but is also supporting the efforts of TADA makes becoming an owner in TADSIG an even better value.

TADSIG is your program. In this third year of operation, TADSIG is a proven entity that is already benefiting dealerships across Texas. Now is the time to get involved, take control of workers' compensation expenses and join the Texas Auto Dealers Self Insurance Group. Call us today!



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