

# FRMT NEWS

The FRMT Risk Management Newsletter, Prepared by Hobbs Group/Kirklind & Co., LLC.

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## Alcohol Prevention: Leveraging the Social Networks at Your Fingertips

By Brandon Busted - Founder and CEO,  
 Outside The Classroom, Inc. and  
 Duane Wimer - Regional Sales Manager,  
 Outside The Classroom, Inc

College students are an interesting group of people. Despite claiming to be in the process of “finding themselves” or figuring out what they “want to be,” they still act as one community, or social network. And, although they are individuals with their own passions and pursuits, as this community, they make predictable decisions.

One of those decisions involves drinking, and based on many years of research on college drinking, it is a very predictable decision. The majority of students choose to drink alcohol. Some do so very infrequently and many do so on a regular but moderated basis, and yet there are equally large percentages of students at both extreme ends of the spectrum – with about 20% engaging in frequent high-risk drinking and about 20% abstaining entirely.

### The Untreated Natural Condition

Without education at an early stage in students’ college careers, research shows a dramatic increase in negative drinking behaviors. A study of 15,610 first-semester students who completed a survey on alcohol-related attitudes and behaviors between late August and mid-December 2002 showed that without a solid alcohol prevention program:

- The proportion of abstainers drops by more than 50 percent
- The proportion of high-risk drinkers increases by more than 100 percent
- The proportion of students who participate in pre-partying – drinking before going out – increases from 50 percent to 70 percent
- The prevalence of risk-reducing behaviors remains flat

This “untreated natural condition” can lead to a host of alcohol-related problems – everything from injuries and assaults to liability claims and poor academic performance.

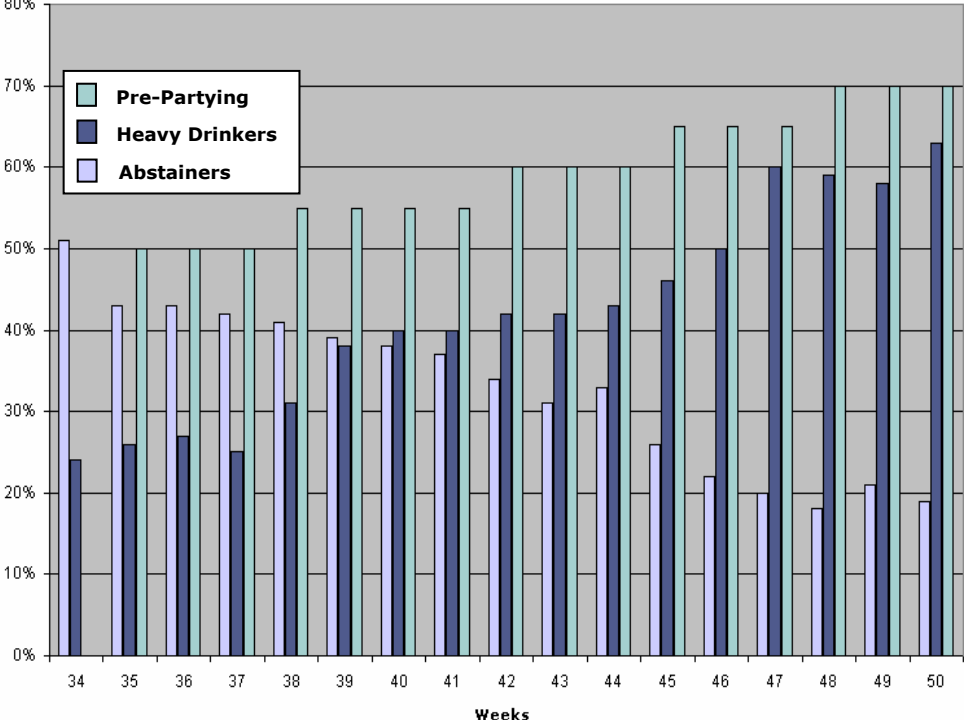
### Population-Level Prevention™

Outside The Classroom has gathered an enormous quantity of data through its web-based alcohol prevention program, AlcoholEdu. The data has brought forward interesting facts regarding the best means for preventing high-risk drinking. Most impressive has been how institutions - both Greek-letter organizations and colleges - have been able to leverage the power that social networks have over their members.



Population-Level Prevention is defined as exposing an entire population to a primary prevention program - that is, before any problems have been identified. Why does it work? When all members of a social network - like a fraternity or sorority - are exposed to a similar experience, they develop a common band. In the case of alcohol prevention, these members receive a common language that facilitates dialogue about cultural values and changes. Most importantly, the group is large enough to create a critical mass of individuals leading to a “tipping point” toward change.

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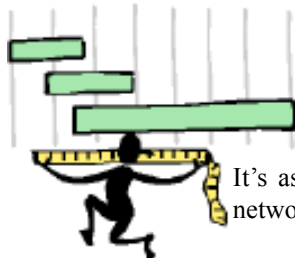
The Untreated Condition - The above graph illustrates the change during the first 50 weeks of college in the drinking behaviors of first year students.

Institutions implementing a population-level prevention program have seen unprecedented results. In fact, one study comparing pre- and post-data of eight schools that required AlcoholEdu for all first year students found:

- The proportion of abstainers increased by 10 percent
- The proportion of high-risk drinkers decreased by 8 percent
- The proportion of students who drank at least 10 drinks on one day within the two week period leading up to the survey decreased 18 percent
- The average number of drinks per week dropped from 9.9 to 8.6



The data goes one step further, suggesting that the closer a social network is, the better results it will see from a population-level prevention program. For instance, while an entire first-year class will show results like those cited above, results tend to be even better for a Greek organization whose membership is already close-knit.



It's as simple as taking advantage of the social network at your finger tips.

#### A Call for Leadership

No one can control the drinking decisions of any individual. However, the data suggests that the right kind of education within a tight social network can potentially lead the members of that network to better personal choices.

It is easy to think of high-risk drinking as a natural by-product of the college experience but it doesn't have to be. I challenge each of you, as the leaders of Greek organizations, to test the power of your social network by educating all your members about alcohol's effects on the body and mind. Call upon your members to respect the founding values and principles that define your organization. And in doing so, protect the people who make up your organization, leading them to make the critical decisions that will avoid the untreated natural condition.

## PROPERTY INSURANCE

**Hobbs Group/Kirklin & Co., LLC. sponsors a property insurance program that in 99% of all cases provides FRMT member fraternities with broader insurance coverage at a lower premium.**

*Need more information?*

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## Reduce Your Organization's Risk By Providing Safe Transportation

By Richard Jungman, Manager –  
Claims, Client Education & Risk Management

Fraternities being sued due to injuries sustained in an auto accident were almost unheard of in the past. Today, automobile accidents are the second highest cause of fraternity tragedies. In terms of claim dollars paid, it is just slightly behind incidents involving falls from heights. It is not surprising alcohol is a reoccurring attribute in a majority of fraternity automobile claims. Even when undergraduate members try to do the right thing, bad things can happen and expose individual members, alumni, the local chapter and the national fraternity to potential liability resulting in costly litigation.

A local chapter of a national fraternity in Oregon held an off-premise social event. In an effort to provide a safe and fun environment, the chapter rented a 15 passenger van to transport members and guests to and from the location. During one of the return trips, the sober member who was driving the van lost control and struck a telephone pole. The result was a passenger fatally injured and one seriously injured. Litigation soon followed and, ultimately, a substantial settlement was paid out on the claim.

#### What went wrong?

- The driver of the vehicle was unfamiliar with the van. Think about the times you jumped into a friend or family member's vehicle. You search for the light switch, the air conditioning controls or how to dim the lights.
- The driver was not a professional driver; while he might have been sober, his passengers were not. Dealing with the distraction of passengers can be difficult, even for professional drivers.
- The General Liability Hired and Nonowned Auto Coverage afforded under the national fraternity's liability policy was immediately put into play due to the rental company and driver's insurance having insufficient limits to pay the entire amount of damages.

“Reducing Your...” continued on page 4

## FRMT, Ltd.

A Bermuda Reinsurance Company in partnership with the Royal Globe insurance organization to compliment the risk management programs of each member fraternity, such as the publishing of this risk management newsletter and providing the following member fraternities with a comprehensive liability insurance program:

|                    |                   |
|--------------------|-------------------|
| Acacia             | Kappa Alpha Order |
| Alpha Epsilon Pi   | Kappa Delta Rho   |
| Alpha Gamma Rho    | Phi Kappa Psi     |
| Alpha Kappa Lambda | Phi Kappa Tau     |
| Alpha Sigma Phi    | Phi Kappa Theta   |
| Alpha Tau Omega    | Pi Kappa Phi      |
| Chi Phi            | Pi Lambda Phi     |
| Delta Chi          | Psi Upsilon       |
| Delta Tau Delta    | Theta Xi          |
| Delta Upsilon      | Zeta Beta Tau     |
| FarmHouse          | Zeta Psi          |

# The State of the Fraternal Insurance Market: Dealing With The Insurance Crisis

by Richard Jungman , Manager – Claims,  
ClientEducation & Risk Management  
Hobbs Group/Kirklin & Co., LLC.

The current state of the insurance market is categorized as a hard market. This type of market occurs when underwriting capacity shrinks while the demand for insurance remains constant or increases. It is simple Economics 101, as supply decreases and demand remains constant or unchanged, the price of the good or service increases. Supply is often referred to as underwriting capacity in the insurance industry. It is defined as the amount of surplus capital in the insurance market place. As the number of underwriting facilities decrease, so does the surplus capital.

The number of insurance carriers willing to underwrite fraternity risks has always been a significant problem and in turn the premiums have always seemed high. This is not without justification. Men's general fraternities are ranked 6<sup>th</sup> on the list of highest underwriting risks. Just like auto insurers, the underwriters in the fraternal market recognize 18 to 22 year old males are a very high risk. Too many times their behavior demonstrates a mind set of being "bullet proof".



The current hard market has exacerbated the insurance difficulties for fraternities. Some organizations have experienced increases as high as 100% from the previous year. The substantial increase in operating cost for property casualty insurance threatens the continued existence of a few fraternal organizations and has created a budget crisis for nearly all of them. Many organizations have local chapters struggling to meet the financial obligations of their risk management assessment for general liability insurance and the commercial property insurance premium for their chapter houses. The effect can begin to spiral. Chapters close and membership decreases due to the increased cost of membership.

It is not just fraternities who are feeling the effects of the hard market. Probably the only businesses or individuals who have not felt the effect of the current troubles in the

insurance market are those who elect not to purchase insurance. The current condition within the fraternal insurance market place is being driven by two factors:

1. Overall insurance industry poor performance:

a. September 11, 2001, is still having a lingering effect. Insurers are increasing premiums to play catch up with the losses paid.

b. The explosion of toxic mold claims both from a property and general liability perspective caught the insurance industry off guard.

c. Poor performance of the financial markets. Insurance carriers became dependent on investment income to make money. They could payout more for losses and expenses then they collected in premiums and still make a profit during the stock market boom of the 1990's. The bull market turned to a bear market. What once was an investment profit turned into an investment loss. Combine this with poor loss experience and many carriers became insolvent.

d. The lack of aggressive pursuit for tort reform in the United States. Canada has adopted tort caps and other initiatives to control litigation. Because of the reform, chapters in Canada pay, on average, thirty-five percent less than their American counterparts.

2. Fraternity specific issues:

a. Overall poor group loss experience. A number of headline losses which resulted in seven figure verdicts and/or settlement have impacted all fraternities.

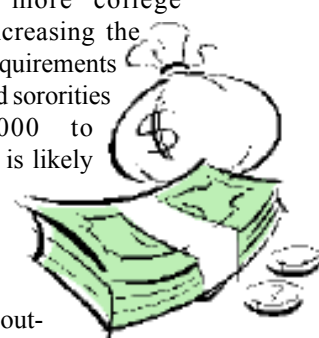
b. Poor individual loss experience. If the insurance company pays more than 60% out on claims than it collects in premium, the account is not profitable!

c. Fraternities and sororities are increasingly becoming target defendants. They have developed, and some will say earned, a bad reputation for fostering a culture of alcohol and drug abuse.

d. Lack of interest by insurance carriers in underwriting fraternities leaves few avenues for insurance brokers to seek out

competitive quotes or room for negotiating with underwriters.

e. More and more college campuses are increasing the insurance limit requirements for fraternities and sororities from \$1,000,000 to \$5,000,000. This is likely only going to become more common as jury verdicts continue to be seemingly out-of-control.



What can fraternities and sororities do to help control what seems uncontrollable?

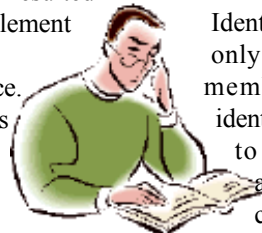
1. Do not stop investing in risk management initiatives and programming. If ever there was a time to be investing more in this area, it is now. One dollar invested in risk management can provide a \$20.00 return by controlling or reducing insurance premiums.

2. Review organizational structure. Is it possible to allocate additional human resources to member education without adding to staff?

3. Review current insurance program and look for areas to help control cost such as increasing deductible or self insured retention.

4. Stay ahead of the curve by being aware of changes in fraternity and sorority risks and look for ways to eliminate or, at the very least, mitigate the exposure the risks create.

5. Encourage balance within the chapter. Identify chapters which seem to be only about the social benefits of membership. Once they are identified, work diligently with them to bring balance between academics, athletics, leadership, community service and social interaction.



Like all business cycles, the current hard market will eventually come to an end. When it will is the unknown. To ensure fraternities and sororities survive it, they need to develop an appropriate and achievable action plan.

*Founded to serve the needs of fraternal organizations. Committed to improving the risk management programs of its clients.*

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*“Reducing Your...” continued from page 2*

To ensure your social functions are fun and SAFE, you need to closely manage the risk associated with transportation to and from your organized events. Highlighted below are recommended Do’s and Don’ts of providing safe transportation.

**Don’t:**

- Use members’ vehicles for transportation of members and guests from fraternity functions in programs such as the designated driver.
- Use leased or rented vehicles operated by members to transport members and guest from fraternity functions.

**Do:**

- Use a professional transportation company with a professional driver meeting the criteria highlighted below:
  - Business Auto Insurance that provides coverage for transporting people and property for a fee.

- Business Auto Insurance that provides, at a minimum, primary coverage of \$1,000,000.00 combined single limit for bodily injury and property damage.
- A professional driver who has a valid commercial vehicle operator’s license in the state in which the driver is located.
- Have paid taxi service information available for members and guests attending social functions where commercial transportation is not being provided.

Implementing a transportation policy is critical. Educate your membership on your policy and make sure you address why it makes sense. According to auto industry statistics, male drivers between the ages of 16 and 25 are the highest risk group. If you control the transportation associated with your social events, you will have greatly reduced the risk of having a tragedy at your chapter.



## **BE YOUR INTERFRATERNAL BROTHERS’ KEEPER**

The 22 member fraternities of the FRMT, Ltd. program are in business together. Loss experience of any one member fraternity will affect the future insurance costs of all 22 member fraternities. If a member of any FRMT, Ltd. member fraternity, undergraduate or alumnus, is aware of unsafe behavior being practiced by any other member fraternity, please provide this information to the administrative office of your national fraternity. Please forward it to the attention of the Executive Director/Executive Vice President.

The FRMT, Ltd. was formed in Fall 1996 in Hamilton, Bermuda and began underwriting operations on October 1, 1996. Its predecessor organization, the Fraternity Risk Management Trust, was formed on October 1, 1992 with four member fraternities: Delta Chi, Kappa Alpha Order, Pi Kappa Phi and Theta Xi. FRMT, Ltd. welcomed its 22nd member, Alpha Sigma Phi, on February 1, 2002.