

THE RISK JOURNAL

A PUBLICATION FOR MMRMA MEMBERS

FEBRUARY 2010

2010: A Time to Reflect and to Look Ahead

By Michael Rhyner,
MMRMA Executive Director

MMRMA MARKS ITS 30TH anniversary in 2010, an achievement due in large part to the loyalty and contributions of our members. The new year is a great chance for the Board of Directors, staff, and service providers to celebrate MMRMA's many successes and thank our members for their active participation and support of our goals.

As we look to the opportunities and challenges of the decade ahead, it seems a good time to reflect on the past 10 years, which marked many unprecedented events and unforeseen changes. Without doubt, the first decade of the 21st century has underscored the importance of risk management.

I recall when, at the stroke of midnight in the year 2000, many local officials hunkered down, awaiting the potentially catastrophic impact of Y2K. Thankfully, the long-predicted computer glitch didn't amount to much. Now, with Y2K safely behind us, the ensuing decade has ushered in a time of growing uncertainty, with new

risks not predicted by conventional forecasting techniques.

Bookended by the terrorist attacks of 9/11 and the Great Recession of 2009, the past decade was one of heightened global and personal security concerns, including identity theft and cybercrime.

The severity of the economic crisis, precipitated by the collapse of the once-robust manufacturing and housing industries, has had far-reaching impact on local governments. And it goes without saying that the resulting recession has had a disproportionately negative impact on Michigan.

At the same time, the decade also saw significant advances in technology and communication. Smart phones, wi-fi, and GPS devices accelerated our ability to communicate and share information, on demand, from any location.



The evolution of our economic, social, and political landscape means that if there was ever a time for enhanced risk management, that time is now.

Internet resources like Google and Wikipedia emerged as extremely powerful information sources—and social networking sites like Facebook and Twitter, unheard of in 2000, are quickly becoming the standard way to communicate.

Change is Constant

What lies ahead as we celebrate 30 years of service? One thing I believe we've learned is that change is constant. If we fail to recognize and respond to change, we will likely fail. It is certain that advances in technology and communication will race ahead, with or without us.

The last decade paved the way for significant, transformative changes in our economic, social, and political landscape in the years to

come. This evolution means that, if there was ever a time for enhanced risk management, that time is now.

A disciplined, ongoing analysis of an organization's operations, vulnerabilities, and exposure to unforeseen events allows us to develop proactive plans and strategies to address such uncertainties and contingencies—before they happen. MMRMA will maintain its active role in risk management, assisting its members in these critical endeavors. We will also continue to enhance our knowledge base and services as we embark on the next 30 years.

It will not be easy, but I look forward to the next decade with optimism, recognizing that it will hold many opportunities for success. After all, it is in hard times that we further focus our efforts and work smarter.

In the end, adversity—and the way in which we rise to meet it—ultimately breeds success.

"LoJack for Laptops" Pilot Protects Digital Resources

By Kevin Denecke,
Risk Control Consultant

MMRMA'S RISK CONTROL department conducted a loss run in 2009 to determine losses paid due to the theft of member laptop computers. Since 2000, 84 percent of the \$68,417 paid by MMRMA for laptop losses involved either stolen or missing computers. The total claims paid by MMRMA was not staggering, but the potential for substantial loss is definitely a concern.

Nationwide, more than two million laptop computers are stolen every year, and monetary value is not the only reason for these thefts. Most laptops contain sensitive data that can be highly valuable. A stolen laptop costs more than just its value as hardware; it also puts the member and its employees at risk for identity theft or other, more serious crimes.

Trend is Toward Mobile Computing

According to Interactive Data Corporation, organizations are issuing more and more laptops to employees to replace desktop computers. By the end of 2010, there will be more than 47 million portable computers in the United States.



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Research by the Ponemon Institute, data security consultants based in Traverse City, Mich., found that:

- A laptop goes missing at a U.S. airport every 50 seconds.
- Among privacy and security professionals, 85 percent had at least one reportable breach in the past year.
- The cost of recovering from a single data breach now averages \$6.3 million.

And in a 2008 *Data Breach Investigations Report*, Verizon estimated that two-thirds of data breaches involved data the victim did not even know was on the system.

These statistics are alarming and should cause members to rethink how they protect their IT assets. How well can you account for your laptop computers and the data they hold? Fortunately, there are ways of protecting laptops and their data from being stolen.

How well can your organization account for its laptop computers and the data they hold?

MMRMA Pilot Underway
MMRMA has implemented a pilot project through the Risk Avoidance Program (RAP) to determine if new technologies could benefit members by reducing risk/liability from laptop theft. Eight MMRMA members have volunteered to purchase, install, and evaluate data protection software on up to five of their laptops.

MMRMA's risk control department selected a system jointly offered by The LoJack Corporation and Absolute Software for the test.

LoJack, a worldwide provider of wireless tracking

and recovery systems for mobile assets, has a 20-year track record and a 90 percent success rate in recovering stolen vehicles.

Absolute Software is a leader in data protection, IT asset management, and managed computer theft recovery. With its *Computrace Complete* software, users can identify any missing computers, enforce software policies, and help recover data from a stolen computer.

Through a partnership with computer manufacturers, *Computrace* tracking agents are factory-embedded in the firmware of many new computers. (On older laptops, the agent can be easily installed by the user.) The agent allows a protected computer to maintain a connection with a monitoring center, even if the hard drive is completely reformatted or replaced. Once a computer's agent is activated, that computer and everything on it is protected.

In the event of a loss, users can access Absolute's customer center to view the location of the computer. The next time the stolen computer connects to the internet, the Absolute theft recovery team uses key captures, registry and file scanning, geolocation, and other forensic techniques to find out who has the computer and what they are doing with it.

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Comprehensive Appraisals to Include All Member Properties

IN 2010, MMRMA WILL embark on a comprehensive appraisal of member-owned properties. Several years ago, we conducted a limited appraisal for locations with values over \$4 million. The upcoming effort will be far more comprehensive, covering all MMRMA-insured locations.

In addition to the appraisal of real and personal property on a replacement cost basis, the project will also yield valuable information such as construction type and protection class. A robust database will be created to ensure that member-owned property is reported at the correct replacement cost, and that those values are consistent with the current cost of building materials and labor.

The database will also assist in adjusting large property losses, confirm that the valuation method is equitable for all members, and lead to more favorable prices, terms, and conditions from property reinsurance markets.

Appraisal Firm Hired

CBIZ Valuation Group, LLC (CBIZ), will conduct the appraisal. CBIZ has successfully implemented insurance property valuation programs for a wide array of clients, including risk pools, public entities, publicly traded companies, and privately held firms. CBIZ provides comprehensive multi-year

property valuations for several Michigan pools, including the County Road Commission and SET-SEG. CBIZ is also active in the Public Risk Management Association (PRIMA), Association of Governmental Risk Pools (AGRIP), and other pooling associations.

Comprehensive Database

For each structure inspected, CBIZ will collect a wide array of data, including address, latitude/longitude, construction type and class, square footage, occupancy, frame type, and roof style.

A building's insurable value is its replacement cost, or the cost required to produce a property of like kind and materials, at a given time, using current market prices for materials, labor, manufactured equipment, contractors' overhead, profit and fees. Replacement cost does not include overtime or bonuses or premiums for materials.

Insurable site improvements associated with inspected structures (flagpoles, fencing, park structures, signage, outdoor lighting, etc.) will be inspected and valued in aggregate by site.

Building contents will be valued in aggregate. Before conducting an inspection, CBIZ will obtain a copy of the member's most recent contents values and make adjustments to the aggregate values based on a physical inspection and discussions with the member.

Items that will not be valued include, but are not limited to: land parcels, uninsurable site improvements (such as paving, curbing, or concrete), infrastructure, landscaping, licensed vehicles, intangible assets, software, records, drawings, stores, spare parts, valuable papers, fine arts, and third-party property.

The risk of underinsured value at a single location is mitigated by the fact that MMRMA's property coverage is provided on a "blanket limit" basis to each member, whereby multiple locations are covered under that member's total insured value limit.

Blanket coverage does not relieve members or MMRMA from the responsibility of accurately reporting replacement cost values for building and contents for each covered location. In fact, all property reinsurers require statement of value reports. Inaccurate or understated value is a contravention of MMRMA's obligation to its reinsurance partners.

Phased Implementation

CBIZ will conduct detailed field inspections using MMRMA's statement of values as a guide. Inspections will take place in a four-year cycle, so about one in four member-owned locations will have field inspections each year.

CBIZ will also perform annual trending of replacement costs for all properties that do not receive a physical inspection that year. Annually, CBIZ will develop inflation/ deflation factors, taking into account any increases or decreases in the cost of materials, labor, and other building construction factors. Please contact your Regional Risk Manager if you have questions about the appraisal project.



*The appraisal project will ensure that property valuations are equitable for all members and lead to better pricing, terms, and conditions from MMRMA's reinsurers.
Photo: Court House, Port Huron*



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The *Risk Journal* is published six times a year for members of the Michigan Municipal Risk Management Authority. We welcome your feedback. To comment or suggest story ideas, please contact Tamara Christie, communications specialist, at 734 513-0300, 800 243-1324, or tchristie@mmrma.org.

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LoJack for Laptops, continued from p. 2

More importantly, the Absolute customer care team pinpoints the physical location of the computer and works closely with local law enforcement officials to recover it.

If a stolen computer contains sensitive data, users can remotely delete it. Reports can also be generated to prove compliance with government regulations. Under Absolute Software's guarantee, users can receive up to \$1,000 if their computer cannot be recovered.

Each laptop computer requires its own license for *Computrace Complete* software, which currently costs \$80 for three years. During the pilot, a RAP grant will contribute \$50 toward each license purchased.

If you haven't yet focused on protecting your laptop computers, now is the time to take control. The MMRMA Risk Control team will also keep you informed as the pilot progresses.

These MMRMA member organizations will test data protection and theft-prevention software on laptop computers:

- Newaygo County Community Mental Health
- Grand Rapids Police Department
- Marquette Board of Light and Power
- Delta County
- Pathways
- Allegan County Sheriff Department
- Northville Township Police Department
- Livingston County Sheriff Department

This is just a brief overview of MMRMA's LoJack for Laptops pilot program and the capabilities of *Computrace Complete*. To learn more, visit www.absolute.com.

SAVE THESE DATES

Risk Management Workshop, March 4–5 Lansing

Join Michigan political insider Tim Skubick, TV host of "Off the Record," for insightful commentary on what's happening in the state legislature, governor's office, and the upcoming campaign trail.

Workshop sessions feature:

Legal Updates on Governmental Immunity
Warning Signs: Terrorist Activity in Michigan
Overview of National Pools
Anatomy of a Settlement
Human Resources: Hiring and Probation
Firing/Effective Discipline

Best-selling author John Bacon will end this productive day with a funny, fast-paced talk on how to provide excellent leadership in tough times.

Annual Meeting, August 18–21

The 2010 annual meeting theme, *MMRMA–30 Years of Lighting the Way*, will celebrate 30 years of municipal pool leadership.