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Why the MMRMA Solution? Workshop Gives Answers

by Michael L. Rhyner
MMRMA Executive Director

IN CONSIDERING TOPICS for the March 2011 Risk Management Workshop, we identified three key trends and challenges facing MMRMA and its members. The first: with increasing turnover among municipal officials, new leaders may not have history or experience with MMRMA. Fortunately, we were very pleased to see 20 first-time attendees at this year's event.

The second challenge is the extreme financial stress facing local governments. Municipal officials must look everywhere for savings, including insurance costs. And third, we acknowledged that MMRMA is seeing more competition in the public entity marketplace. Competitors are attempting to coax municipalities to switch to what is purported to be a better, lower-cost alternative.

The general session sought to answer the question: *Why the MMRMA Solution?* To address this topic, we assembled a panel of MMRMA's Regional Risk Managers to articulate what distinguishes MMRMA from the pack with respect to coverage and service.

I moderated the session, posing questions to these panel members:

- Bob Hauch, Glomar
- Dave Hildenbrand, Lighthouse
- John Katona, U.P. Insurance
- Mike Maldegan, Comerica
- Craig Manser, Ibex
- Boyd Smith, MMRMA

Their comments, highlighted below, focused on key points they use to tell the MMRMA story and highlight our significant advantages.

The MMRMA Difference
Dave Hildenbrand of Lighthouse reviewed current market conditions, in which a number of commercial insurance companies have reentered the public entity market. The many striking differences between their products and MMRMA's coverage, service, and membership programs, Hildenbrand said, must be communicated to current and prospective members.

Member Governance
Unlike insurance companies, MMRMA is member-owned and member-governed. The Board of Directors is elected



During the workshop, Board members Doug Johnson, Michael Bosanac, and Kathy Revels pose in front of an oversized \$19 million check payable to the MMRMA membership.

\$19 Million Distributed to Renewing Members

AT ITS FEBRUARY MEETING, MMRMA's Board of Directors approved a \$19,660,124 excess net asset distribution to members. The Board also approved the 2010 Net Asset Policy Report, including the results of the most recent capital adequacy analysis, which determines future net asset requirements.

With this distribution, our fifth since 2006, MMRMA has distributed almost \$57 million to its renewing members.

Based on the distribution rules adopted by the Board, most members will receive their share of this distribution after their membership renewal. The allocation will again be based

on prior year continuous membership, prior year general fund contributions, and loss experience.

The Board also adopted a plan to allocate an additional \$9,830,062 in excess assets for short- and intermediate-term rate reductions. The impact of this action will vary on a member-by-member basis, taking into account changes in exposure, loss experience and other underwriting criteria.

Using a portion of excess net assets for rate reduction ensures predictability and stability in contributions for current members and also helps attract new members.

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Upper Peninsula Law Enforcement Advisory Committee

by Kevin Denecke
Risk Control Consultant

THE UPPER PENINSULA Law Enforcement Advisory Committee, like all seven MMRMA risk control advisory committees, was formed to address property and liability loss. The committee meets three times a year in the Upper Peninsula, in the Marquette/Iron Mountain/ Escanaba area.

The committee works closely with the Lower Peninsula Law Enforcement Advisory Committee, joining its southern counterpart for combined meetings in spring and fall. The fall meeting takes place in Mt. Pleasant in conjunction with the annual joint meeting of all seven risk control advisory committees.

The Upper Peninsula Law Enforcement Advisory Committee is currently comprised of 15 member sheriffs, chiefs, and public safety directors from across the U.P.

Training and Model Policies Ongoing education is a high priority for the committee, and they bring quality training to Upper Peninsula members each year with the assistance of the Risk Avoidance Program (RAP). Over the past few years, RAP grants have helped bring several excellent training opportunities to the Upper Peninsula, including *Rapid Response to an Active Shooter*; *TASER Instructor*



Committee members benefit from each other's experience in responding to constantly changing law enforcement standards and challenges.

Certification and Recertification; Looking Glass Cops; and Leading, Supervising and Working with Generation X and the Millennials.

For 2011, the cutting-edge training topic is *Managing Employees through Effective Discipline*, which will be held in Escanaba on May 25. Visit www.mmrma.org for details on this and other outstanding training sessions.

Another area of focus is developing and updating model policies and procedures for law enforcement. To ensure they are current, MMRMA's policy and procedures are regularly updated to include changes consistent with industry standards. These resources are available on MMRMA's website and in print form.

Criminal Justice Administrators Conference

One project of which the committee is particularly proud is its reinstatement and support of the Upper

Peninsula Criminal Justice Administrators Conference.

This conference, held annually by the Upper Peninsula Criminal Justice Association (UPCJA), brought criminal justice administrators from across the Upper Peninsula together for two days of training and networking. The nearly 100 attendees each year included almost every chief, sheriff, public safety director, and State Police commander in Michigan.

In 2007 and 2008, the conference was cancelled due to budgetary problems plaguing state and local governments. Recognizing the conference's value, MMRMA's Upper Peninsula Law Enforcement Advisory Committee was determined to find the means to bring it back.

With the help of RAP grants and MMRMA's two primary law firm partners, Cummings, McClorey, Davis, & Acho, PLC, and Johnson, Rosati, LaBarge, Aselyne & Field, PC, the

conference was relaunched in 2009 and held again in 2010. Keynote speakers from the two law firms discussed current legal issues relevant to the criminal justice community. In 2011, the conference will be held April 26–27 at the Terrace Bay Inn between Gladstone and Escanaba, thanks to another RAP grant and a new funding source.

Benefits of Committee Service

Those who serve on the Upper Peninsula Law Enforcement Advisory Committee enjoy the benefits of MMRMA membership firsthand. Risk control resources make their jobs easier and more efficient, and members have access to the many RAP grants in place to help fund major expenditures.

Committee members form a group of experienced leaders who discuss constantly changing standards and strategies for meeting them. In addition, they personally know MMRMA's risk control consultants, who are only a phone call or an email away and are ready to do whatever they can to assist members.

The opportunity to serve on MMRMA's Risk Control Advisory Committees arises from time to time. Don't hesitate to volunteer; it will be time well spent. For more information, please contact Risk Control Consultant Kevin Denecke at kdenecke@mmrma.org or call 734 513-0300.

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by the members, who have immediate access to the Executive Director and Board members. This form of governance does not exist in the commercial insurance world.

Nowhere is MMRMA's member-oriented philosophy more evident than in its service. Members are on a first-name basis with MMRMA's experienced claims professionals, while other competitors may not even maintain claims staff in the state of Michigan. Whether the issue is law enforcement, parks and recreation, human resources, or land use, MMRMA has a team of experienced risk control professionals ready to assist members.

Financial Benefits

MMRMA is a not-for-profit entity. Financial benefits accrue to members rather than company shareholders, Wall Street investors, or corporate owners. In the last six years, this has resulted in the return of almost \$57 million to current members (see pg.1)

Since its inception, the Risk Avoidance Program (RAP) has awarded nearly \$8 million to various member projects, ranging from the purchase of security equipment and Tasers to providing financial assistance for training programs.

According to Mike Maldegan of Comerica, MMRMA's strengths include its history, stability, and the fact that



A panel of MMRMA's Regional Risk Managers, moderated by Executive Director Michael Rhyner (at podium), explained what distinguishes MMRMA's coverage and service.

it has consistently offered quality coverage with superior service. As Maldegan noted, "You get what you pay for."

Long-term Solvency

MMRMA was created when commercial insurance carriers decided to abandon public entities: most municipalities found their coverage either non-renewed or canceled.

Exploiting the hard work and many successes of MMRMA, commercial insurers have now become opportunistic and want to re-enter the market through aggressive pricing of non-comparable insurance products. Of course, history tells us that insurance is a cyclical business and predatory pricing practices are simply unsustainable.

One must look carefully at the coverage provisions and services from low-priced competitors; usually there is a big difference. In addition, soft market pricing can result in insurance company insolvencies. Insurance is a *promise* to pay future claims,

not a *guarantee*. It's important to consider whether low-cost carriers will be able to make good on their promises eight or ten years from now.

Broadest Coverage

MMRMA provides the broadest possible coverage, tailor-made for Michigan municipalities. There are few exclusions, whereas competitors may reduce coverage amounts for certain types of claims, such as employment-related events. They also may provide limited coverage (for legal defense only) in land use-related claims, while MMRMA's coverage can extend to actual losses.

Boyd Smith, MMRMA's in-house Risk Manager, cautioned members to watch for gaps in coverage, citing a case in which a small township not covered by MMRMA was left with more than \$800,000 in uncovered losses on a land use case. This resulted in sharp increases in property taxes to cover the judgment.

MMRMA's broad coverage includes enhanced auto

History tells us that insurance is a cyclical business and predatory pricing practices are simply unsustainable.

no-fault coverage, where PIP is provided on a first-dollar basis, as well as payment of automobile assessments to the Michigan Catastrophic Claims Association, and coverage for volunteers.

Value-Added Services

Craig Manser of Ibox reviewed the many value-added services MMRMA Regional Risk Managers provide that aren't offered by typical insurance company representatives.

MMRMA effectively serves as a risk manager for members, Manser said, helping identify and control various hazards and risks. To protect municipalities, they review municipal service contracts for appropriate risk transfer language and review bid specifications to ensure the appropriate insurance requirements for contractors.

As licensed insurance agents, Regional Risk Managers may also secure other coverage not currently offered by MMRMA, such as for underground storage tanks. Manser also highlighted the host of training programs targeting complex risks that MMRMA provides directly to members at little or no cost.

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Tulips seem to spring up overnight in Michigan, but that's not the case: from seed to bloom, it takes a tulip 21 years to turn into a flower.

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Wood Bids Goodbye to MMRMA, Says Hello to Retirement

CLAIMS MANAGER

Elaine Wood has retired from MMRMA, but her contributions to the organization are indelible.



After working as a legal secretary and paralegal at Cummings, McCloy, Davis & Aho, in 1983, she became Claims Supervisor for Municipal Claims Service, MMRMA's claims and adjusting services provider. In 1992, when MMRMA brought its claims and adjusting team in-house, Elaine was part of the package, and has served as Claims Manager ever since.

"It's impossible to list all of Elaine's contributions," Director of Claims Michael

Ellis says. "In the beginning, Elaine was the Claims Department." On early Claim Incident Reports, for example, rather than asking members to send the form to MMRMA, the instructions read simply: *Mail to Elaine Wood.*

Over the years, Elaine's title has changed from supervisor to manager, but her commitment to MMRMA has never wavered. She studied diligently, earning the CPCU, SCLA, RPA, ARM, AIC, and CPIW professional designations—and used her knowledge daily for the benefit of MMRMA and its members. As Ellis puts it, "Elaine's impact will be felt long into MMRMA's future."

When Elaine asked for a month off in November 2010 to buy a home in Florida, MMRMA knew her retirement

was near. So it was no shock when Elaine gave her 30-day notice, but it did create a profound sadness, both for Elaine and MMRMA staff.

Elaine tried to minimize the emotional impact by pretending she was going on vacation, albeit a permanent one! She and her husband Tom will split their time between Florida and Michigan, playing golf in both locations.

Please join us in wishing Elaine and Tom well as they embark on their new adventure together.

Note: Any new lawsuits can be forwarded to the adjuster handling your liability cases or to Michael Ellis, Director of Claims, at mellis@mmrma.org.

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Highest Ethical Standards

Bob Hauch of Glomar pointed out the potential for some commercial insurance agents to use negative sales tactics and "exclude the truth."

While such behavior is troubling, it is reassuring that MMRMA maintains extremely high standards concerning business ethics. As Hauch stated, for more than 30 years, MMRMA has made good on its representations and firmly believes that the truth always prevails.

Shared Services Coverage

John Katona of U.P. Insurance discussed the unique risk

MMRMA offers coverage to new shared municipal service entities.

characteristics and competitive pressures of Northern Michigan and the Upper Peninsula.

Economic pressures, Katona believes, will force more consolidation of services. Another MMRMA advantage, he said, is that it offers coverage to new shared municipal service entities, whether as a freestanding new member or as a "sub-unit" of a parent member.

Governor Snyder is encouraging consolidation of services through incentives, and MMRMA's expertise can help members explore these opportunities from a risk management perspective.

Finally, the panel agreed that newly elected and appointed officials should be encouraged to attend MMRMA events. Not only will they develop a strong network of peers, they also will be able to recognize firsthand why MMRMA is clearly the best possible solution for their communities.