The Technology Helps Us
Do our jobs, stay in touch, pay our bills—in short, live our lives—more efficiently and expeditiously every day. On the flip side, the tactics and methods of computer criminals evolve just as swiftly, and in the case of hacking, phishing, and other nefarious activities, what we don’t know most certainly can hurt us.

Ignore at Your Peril
It may be tempting to assume that passwords, credit card numbers, money, and identities are stolen from other people; that it will never happen to us or to our companies. In truth, more and more people are falling victim to this type of crime.

At MMRMA’s Risk Management Workshop in March, Michael Bazzell taught attendees about common, cutting-edge scams and methods used by hackers and fraudsters—along with warning signs and straightforward ways to foil their tactics.

Bazzell’s subject was high-tech and sometimes alarming, but his fast-paced, humorous style made it accessible. His overriding theme is no laughing matter: computer crime is not going away, and as defenses grow more sophisticated, cyber thieves become more creative and elusive in response.

Bazzell, a member of the FBI’s Cyber Crimes Task Force, has been involved in numerous criminal investigations, including online child solicitation, terrorist threats, and high level computer intrusions. He told the audience exactly how the recent Target credit card breach happened, and why it’s unlikely the perpetrators will ever be brought to justice (they’re in Russia).

Bazzell recommended using at least four different password categories: work, personal email, banking, and credit cards, and varying the passwords with easy-to-remember rules. He also divulged a host of information about email phishing scams, phone and caller ID fraud, malware, and more.

For additional information, consult Bazzell’s website, computercrimeinfo.com, and his book, Personal Digital Security. There is also a magazine interview with him on www.mmrma.org in Members Only: Workshop Materials.

As Bazzell made clear, it’s not possible to stop cyber crime, but we can stop it from happening to us. Make sure you and your entity are informed about these important risks.

See page 4 for more workshop highlights.
Municipal Bankruptcy and Its Potential Implications for MMRMA

by Michael Ellis
Director of Claims

AS THE CITY OF DETROIT’S progress through bankruptcy continues to pepper the local and national news, it prompts the question: What would be the impact of a bankrupt member and what might it mean for MMRMA?

Chapter 9 of the U.S. Bankruptcy Code does not provide for dissolution of municipalities as Chapter 7 does for private entities. Rather, Chapter 9 provides for the reorganization of financially distressed municipal debt.

Since Chapter 9 was put in place in 1934, there have been between 500 and 600 Chapter 9 filings. The option is available to virtually all forms of state government. Political subdivisions are also eligible to file, including cities, townships, counties, villages, and various districts such as schools and authorities. An entity with authority to seek Chapter 9 protections must show insolvency, a desire to put in place a plan of reorganization of debt, and failure to otherwise achieve a good faith resolution with its creditors.

Chapter 9: An Overview
Oversight and management of Chapter 9 filings is typically very limited in comparison to other bankruptcy filings.

Generally, the municipal debtor is very much in control of its political structure, property, and revenue, and has the ability to reject executory contracts, union contracts, and retiree benefits. A debtor municipality can continue to borrow and thus incur further debt, and can employ professional consultants without court review or approval.

Upon filing the Bankruptcy Petition, there is an automatic stay, which halts all pending litigation against the municipality. The lone exception is for obligations of pledged special revenues secured by those same revenues.

To discharge the case from bankruptcy, the debtor must obtain the court’s approval of its plan and then deposit the full value of the consideration to be distributed to the creditors as part of the plan, with the court appointed as “disbursing agent.”

Importantly, once confirmed, the plan discharges all debtor municipality debts and binds all creditors, whether or not:
> The creditor was listed by the debtor at any point in the proceeding
> The claim is allowed during the process
> The creditor has accepted the plan.

Municipal Insurers’ Rights
Chapter 9 does not specifically address the rights or interests of insurers of debtor municipalities. However, other chapters of the bankruptcy code may provide some likely answers.

In non-municipal bankruptcies, the courts have consistently held that all manner of insurance policies held by the debtor are property of the debtor’s estate and any cancellation of insurance policies of the debtor is automatically stayed. Generally, the stay does not halt or delay the running of time to make the premium payments under the policy nor require the insurance company to renew policies that expire by their own terms.

The courts have also held that nonpayment of deductibles or self-insured retentions (SIRs) does not allow insurers to avoid policy obligations to bankrupt policyholders. However, while SIRs are generally deemed a liability of the third party claimant (who must present a claim against the debtor in bankruptcy court), deductibles are treated as an obligation of the insurer, which then has an administrative claim against the debtor insured.

Members Remain Solvent
When each and every member is financially healthy, everyone, including MMRMA, benefits. As a matter of sound public policy, the vast majority of MMRMA members have long upheld high standards of financial management. This, in turn, strengthens the partnership between MMRMA and its members and helps the organization remain on firm financial footing.
Sharing MMRMA’s Benefits with the Next Crop of Leaders

by Michael Rhyner
Executive Director

LAST MONTH, the MMRMA Board of Directors declared a $40 million package of benefits for MMRMA members, including a $34.5 million distribution to current renewing Individual and State Pool members. This was our eighth distribution of excess net assets to members in the past nine years.

Our ability to provide these benefits underscores the advantages of public entity pooling as an alternative to commercial insurance. It is important for us to periodically revisit these benefits as our membership changes.

Every week it seems that we receive notices from members that a new person is taking over as the MMRMA Member Representative. This turnover is a result of retirements, downsizing, or elected officials choosing not to seek re-election. While these new leaders—and their insights—help invigorate their entities and MMRMA, they may not be as familiar with the history and origins of MMRMA as their predecessors were.

MMRMA’s proven model delivers quantifiable benefits in an era in which fiscal austerity is the new normal.

An Origin Story
Through various information, education, and training programs we can reinforce the genesis of MMRMA: Michigan municipalities banded together to provide a mechanism to jointly self-insure risks when commercial insurance was unavailable or prohibitively expensive.

From humble beginnings, MMRMA grew to be the largest provider of property and liability coverage to municipalities in Michigan. The coverage and risk management services provided to members are, indeed, second to none. The financial benefits of a member-owned and member-governed organization directly benefit the members, as opposed to generating profits for the owners and stockholders of commercial insurers.

The primary key to MMRMA’s success is the stability provided by its members’ long-term commitment. In fact, we now have many members with over 30 years of continuous participation in MMRMA. In addition, members’ loss control efforts have resulted in increasingly favorable performance in high-risk areas such as law enforcement. It is vital that these commitments—and their positive outcomes—continue into the future.

MMRMA Remains Vital
With the enormous challenges facing these new municipal officials, the events that took place over 30 years ago may not seem relevant. However, the results of those events and the vision of MMRMA’s founders now provide the next generation of leaders with an extremely cost-effective approach to financing risk, providing coverage, and delivering valuable services. This proven model creates immediate and quantifiable benefits in an era in which fiscal austerity is the new normal.

While some may summarily characterize “government” as inefficient and wasteful, public entity pooling is recognized among the largest and most successful intergovernmental endeavors, one that has saved municipalities and taxpayers many millions of dollars.

We strongly encourage newcomers to attend our education and training programs, participate on a committee, and get involved in the many rewarding activities of this vibrant organization.

With its new stewardship, the next generation of MMRMA leaders will make certain that members receive benefits similar to the recent $34.5 million distribution for many years to come. This is a success story for which we all can be incredibly proud.

MMRMA will distribute $34.5 million in net assets to members in 2014.
Many believe a very cold winter is good for mushrooms, so 2014 should produce a banner crop. In northern Michigan, the black morel season starts the last two weeks of April and extends through the first two weeks of May. Pinching is the ideal way to harvest because pulling by the roots can kill this valuable crop.

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The Risk Journal is published six times a year for members of 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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April 30 Deadline to Apply for Member Recognition Award

THE APPLICATION DEADLINE for MMRMA’s Member Recognition Award has been extended to April 30.

Established in 2012, the award honors innovative risk management and operations projects that:

> Reduce risk exposure and potential loss
> Improve operations

In 2013, Ingham County took first place honors for its Safe School Initiative. The City of Rochester Hills earned an honorable mention for its Seasonal Employee Driver Competency Program.

This year’s first-place winner will receive a cash award as well as formal recognition at MMRMA’s Annual Meeting and in the 2014 annual report.

For an application and details, go to mmrma.org.

Training Delivers at Risk Management Workshop

MMRMA’S RISK Management Workshop has become a highlight of the late winter calendar, and this year’s workshop was no exception. MMRMA’s staff, service providers, and guests led breakout sessions on social media, risk transfer methods, disaster planning, and more.

Build Lasting Influence

Ed Sarpolus of Target-Insyght kicked things off with a concise overview of strategies for influencing public policy. A Detroit native, Sarpolus has become one of Michigan’s foremost pollsters, analysts, and strategists.

On the issue of political influence, many people immediately think of lobbyists. But Sarpolus pointed out that many parties have their own agendas and interests in affecting legislation, from governors to newspapers to companies and even individual citizens.

Sarpolus discussed use of media, third-party experts, and other avenues for building and sustaining a cohesive message and lasting influence. His handout is available to registered users at www.mmrma.org in Members Only: Workshop Materials.

Leadership Artistry

To close out the evening, Dave Timmons got attendees on their feet and clapping their hands. Wielding his guitar to build energy, Timmons outlined three lessons in what he termed “The Art of Leadership”:

1. Connection. Make it about them. Timmons evoked the words of Mary Kay Ash: “Think in terms of what’s good for the other person and success will seek you out.”

2. Trust. Make trust your trademark. For this lesson, Timmons reminded attendees that it is essential to “walk our talk” and admit mistakes if we make them.

3. Inspiration. Emotionalize your leadership style. “Emotionalize” = to make emotional; to stir or move. Quoting Dale Carnegie: “We’re not creatures of logic, we’re creatures of emotion.” This, Timmons said, “is why we are drawn to leaders who move us.”

Great leaders have both practical and interpersonal talents, as the opening and closing sessions effectively demonstrated.