

RISKY BUSINESS



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NOVEMBER 2013

From the Board Room...



At the September 30, 2013 Quarterly Board Meeting, the following actions were taken:

- Approved the Open Claims and Incurred Losses Report
- Accepted the Financial Report and CAFR for the year ending 12/31/12
- Accepted the loss funding study prepared by MVRMA's actuaries and approved the recommended funding amount of \$2,550,000 for LY26 (2014)
- Approved the 2014 Objectives, Preliminary Revenue Budget, Preliminary Expenditure Budget and PCF
- Approved the amended Cash and Investment Policy which now requires an annual review of the policy
- Approved the new Purchasing and Contracting Policy
- Approved closure of LY20 (2008) and the return of all remaining funds to the membership (see article on page 2)
- Approved the extension of the Alliant agreement for broker services for two additional years at the current rate beginning July 1, 2013
- Approved deletion of objective 5 under Goal Statement 4. There will be no "Best Overall" award for combined performance in the SPEC and LEBP.
- Approved the amended Personnel & Compensation Policy to allow for more flexibility when the new Office Coordinator is hired in 2014

FYI

-Tom Judy

A Silver Anniversary



MVRMA is about to celebrate its 25th year. It was incorporated on December 1, 1988 to provide a formalized, jointly administered, self-insurance pool for its member cities.

Charter members were the cities of Beavercreek, Kettering, Miamisburg, Vandalia, West Carrollton and Wilmington. The first Board of Trustees consisted of Stephen Stapleton, Beavercreek; Michael Robinette, Kettering; John Weithofer, Miamisburg; Bill Hoffman, Vandalia; Tracy Williams, West Carrollton; and Linda Eichelberger, Wilmington.

A review of the early minutes of the Association reveals the many challenges that confronted this group of pioneers. Their decisions framed the principles of membership selection, governance and financial responsibility that have guided the organization's growth and success for the past 25 years.

John Nielsen, West Carrollton's Assistant City Manager and one of the key leaders during the formation of MVRMA, was appointed Risk Manager (later Executive Director) in April 1990. John served in that capacity

until 1999. He was succeeded by Mike Hammond, who provided leadership until his retirement in 2012.

The Association was formed out of necessity, as a hard insurance market had made it nearly impossible for local governments to secure affordable property and casualty insurance in the late-1980s. However, during the ensuing 25 years, well-managed municipal governments along the I-75 corridor have recognized that membership in MVRMA provides more than a port in the storm - it represents a way to protect taxpayers' interests through the synergy of multiple municipalities working together to spread risk and utilize best risk management practices. Over the years, controlling losses through best practices has become a central focus of our members; the loss history of the Association attests to the success of these efforts.

MVRMA has grown in size through the careful selection of new members and organically as its member cities have done well. However, growth for its own sake has not been an objective. MVRMA's leadership has recognized the importance of retaining the Association's character of a group of well-managed and well-organized municipalities centered on the principle of managing to control risk.

The following numbers illustrate MVRMA's growth since its formation:

	1988	2013
Member Cities	6	20
Population	144,800	370,590
Sworn Police Officers	207	611
Other Full-time Employees	652	1,825
Insurable Property Values	\$64 Million	\$1 Billion
Net Operating Expenditures	\$55 Million	\$420 Million

(Cont. on Page 2 - See FYI)

FYI (Cont./Page 1

We all owe a debt of gratitude to those early leaders of the Association who gave of their time and expertise to found an organization that has become a premiere public entity pool. May the next 25 years be as successful.

Closure of LY20 (2008)

As we celebrate MVRMA's 25th anniversary, it is fitting that we get to discuss one of the chief benefits of membership - the closure of a loss year and the return of the unspent loss funds to the members. The Board approved closure of LY20 (2008) at its September 2013 Board Meeting, returning \$1,249,000 to the membership. This amount represents 49% of the amount originally contributed to the LY 20 loss fund.

According to the Surplus Loss Reserves Disbursement Policy, the refund will be credited to a member's General Reserve Fund (GRF) unless, within 30 days, the member requests a cash disbursement. Once deposited to the GRF, cash withdrawals are permitted only in January of each year. However, members may apply their GRF to any MVRMA invoice at any time during the year. Members' funds on deposit in the GRF continue to earn interest to the credit of the member.

Since its inception in 1988, MVRMA has closed 19 loss years and refunded more than \$12 million of unspent loss funds to its members.

injuries caused by man-made hazards on recreational property, so long as those hazards do not change the essential character of the property as a whole. *Pauley v. City of Circleville*, Slip Opinion No. 2013-Ohio-4541 (October 16, 2013). In *Pauley*, the Supreme Court addressed an appeal from a decision in the Fourth District Court of Appeals affirming summary judgment in favor of the City of Circleville.

The case arose out of serious injuries sustained to Jeremy Pauley while sledding in a city park. The park in question contained ball fields, a playground and various structures such as a concession stand and picnic shelters. Entry to the park was free of charge. In the summer of 2006, the City was offered free topsoil that was excavated from a nearby construction site. The City used the topsoil for numerous projects, including re-seeding the park. The bulk of the topsoil was stored in a maintenance facility. However, when the facility reached capacity, the remaining topsoil was taken to the park and emptied on to the ground, where it formed two mounds approximately 15 feet high. The following winter, 18-year old Jeremy and his friends went snow sledding in the park. At some point during the sledding activity, Jeremy took an alternative route and headed toward the mounds, which had been created by the dumping of the dirt. While doing so, he "hit an immovable object" and "instantly went numb." It was later determined he struck an object that looked like a railroad tie. Although the Decision is not clear, it would appear as though the railroad tie-like object was deposited there by the City.

Jeremy suffered a broken neck and was rendered a quadriplegic. On appeal, the Plaintiffs argued the recreational user immunity statute is designed to preclude the right to recover civil damages only in specific instances. Plaintiffs contended that R.C. 1533.181 does not apply when a property owner makes the property "more dangerous without promoting or preserving

recreational activities." The Defendant City argued the statutory provision in question provided a "bright line rule": If a premises is free and open to the public for recreational purposes, and a person is injured while using the premises for recreational purposes, the landowner has no duty to that user to keep the premises safe. The City essentially argued that the Plaintiffs-Appellants were asking the court to judicially create an exception to recreational immunity that did not exist in the statute.

In a vote of 5 to 2, the Supreme Court of Ohio affirmed the judgment of the Court of Appeals. The court conducted a rather exhaustive analysis of both the statutory language contained in the recreational user's statute, as well as the prior case law addressing its applicability. In its Decision, the court noted it had previously observed the property must be "viewed as a whole"; and only where the "essential character" of the property has been altered to something other than an outdoor property on which outdoor recreational activities occur did immunity fall away. Citing *Miller v. Dayton*, 42 Ohio St. Third 113, 537 N.E. 2d 1294. The court then went on to conclude: The park in this case is an outdoor property with trees and grass and is open to the public free of charge for picnicking and sporting activities such as sledding, baseball, soccer and basketball, as well as other recreational activities that inevitably occur in parks, such as tinkering with a model plane, reading poetry or jogging. (Citing *Miller supra*.) The purported defect in this case is an object resembling a railroad tie. When viewing the property "as a whole," the existence of a single railroad tie does not change the essential character of the park to something other than a property that is open for recreational use. The court acknowledged that its Decision may be criticized for its apparent harsh results, but noted the language of the recreational user statute simply contained no exception and the court would not create one by judicial fiat.

Counselors' Comments



- Surdyk, Dowd & Turner

The Supreme Court of Ohio Confirms Recreational User Immunity Applies to Injuries Caused by Man-made Hazards on Recreational Property

The Supreme Court recently confirmed recreational user immunity applies to

Loss Control Lowdown

- Starr Markworth

Safety Committee: Utilizing Employee Input to Take Safety to the Next Level

What is the purpose of establishing a safety committee? The basic function of a safety committee is to help create and maintain all employees' active interest in safety in order to minimize accidents, increase compliance and improve teamwork, productivity, communication and morale.

Some major functions of effective safety committees are:

- Identifying aspects of the workplace that are unsafe and recommending corrective action
- Meeting on a regular basis to discuss safety concerns
- Participating in the process of the investigation of accidents/incidents and dangerous occurrences
- Developing safety policies, procedures and handbooks
- Promoting health and safety programs, policies and training
- Safety planning for the organization when new processes, equipment, facilities, etc. are being added

Management and employees share an equal concern for accidents and injury

prevention; therefore, it is in everyone's best interest to participate in an active safety program, including a safety committee. When employees are included in the decision-making process, there is a greater buy-in to the overall safety program. Greater buy-in improves communication, trust and teamwork, which improves committee effectiveness and eventually improves safety performance.

Safety committees in various forms have been around for quite a while. With proper direction and management support, they can continue to fill a valuable role in assisting management with safety and health responsibilities.

If you would like some assistance in creating a citywide safety committee, please contact Loss Control Manager Starr Markworth at 937-438-8878 or by email at smarkworth@mvrma.com.



The first topic is **claims reporting**. Because all members truly "share" the monies to pay claims, the pool requires all liability losses (damages to other parties) to be reported and paid by MVRMA, no matter the amount. All first party losses (members' property) greater than \$1,000 must also be reported and paid through MVRMA.

The second topic is **MVRMA's \$2,500 deductible**. The deductible serves as a financial tool to protect the loss reserve fund from being depleted by smaller "fender bender" type claims. It also serves as a risk management tool, alerting members to the types of losses that are occurring. Members can then determine if policies and/or procedures should be changed or if additional training might curtail such losses.

Of note, in the premium calculation formula (PCF), which determines the percentage a member pays to the MVRMA program each year, a member's average annual losses constitute three of the nine factors used. So, losses truly serve as a way to hold the members accountable to the pool for their risk exposures.

While these policies may seem restrictive at times, they are an integral part of the reason the MVRMA program has been a success for the past 25 years.

Brokers' Beat...



Market Conditions

Based on first quarter 2013 financial results released by the Insurance Information Institute, the industry is running with a combined loss ratio of 94.8%, an operating gain of \$16 billion and an increase in capital and surplus to \$608 billion, an all-time high.

Not reflected in the first quarter results, is a lack of catastrophic activity in the second and third quarters. The tornados in Moore, Oklahoma and wild fires in Colorado will be two of the major catastrophic events for those quarters but will only contribute an estimated \$8.1 billion in catastrophic loss activity. The Colorado floods in September will influence third quarter financial results but will have little or no effect on market conditions. Hurricane season ends on December 1, and there is always the possibility that Atlantic windstorms could influence 2013 results, causing higher rates in 2014.

In spite of all this good news, we still see a marketplace that is essentially flat. The main issues that seem to be influencing flat rates are low carrier investment income and concern over catastrophic weather events. Investment income remains historically low, and industry underwriting continues to price risk with a small
(Cont. on Page 4 - See ALLIANT)

The Claims File

- Craig Blair

When a new Trustee is assigned to the MVRMA Board, an orientation is scheduled so that he/she can spend a few hours with the MVRMA staff at our offices. Similar training can be scheduled for anyone else in your city assigned to assist the Trustee with claims or other MVRMA business.

When it's more convenient, I can come to your office to meet with the person assigned to handle claims. During my fact-to-face with the new Trustee or "claims" person, I focus my discussion on two topics.



Alliant (Cont./Page 3)

margin of error for underwriting profit. It is important to note that carriers only invest about 18% of their assets in equities and can only book realized gains. Thus, they have not cashed in on stock market gains of recent years. Second, property underwriters continue to believe there is a connection between climatic change and increased frequency and severity of catastrophic weather related events and have priced property risk accordingly.

Looking forward, we see the marketplace being essentially flat for January renewals and remaining flat into the first few months of 2014. Given the positive financial results in 2013 to date, along with some modest interest rate increases, we might anticipate some modest softening toward the middle of 2014. But, the fear of adverse weather related catastrophic events will continue to heavily impact property rates.

Keeping these things in mind, we would expect to see a January 1 liability renewal that is flat and a property renewal that will be flat to up 5% in July.

Burns in the Workplace

A burn is one of the most painful injuries you can experience. According to the American Burn Association, as many as 500,000 people in the U.S. receive medical treatment for burns every year, and 4,000 of them die.

Fire, of course, is one major danger, but it's not the only threat you should watch out for at work (or at home). Protect yourself from these major types of burn injuries:

THERMAL - These are caused by intense heat and can be inflicted by flame, steam, hot water or other liquids, and hot objects, especially those made of metal.

CHEMICAL - Acids and other caustic chemicals found in industrial products and household cleaners can burn when

they come into contact with skin. Be observant - threats from these sources aren't always immediately obvious. **ELECTRICAL** - Electric current passing through the body can cause internal and external burns and other injuries. They're frequently caused by defective electrical appliances, accidental contact with batteries or household wiring, and by lightning.

Workers should be aware of the various types of burns they might suffer so they can make the right



decisions about seeking medical attention. Burn injuries fall into three major categories:

First-degree

burns - These affect the skin's outer layer, turning it pink or red, produce mild swelling and cause mild to moderate pain. Warm, clean water can relieve the pain and prevent infections; over-the-counter lotions and pain relievers should diminish the pain.

Second-degree burns - Deeper layers of skin are exposed and damaged, and you may see blistering and bubbling at the site of the burn. If the area affected is small, apply the same treatments as for first-degree burns, but if it's larger than 2-3 inches in diameter, get medical attention promptly.

Third-degree burns - The most severe damage, penetrating all the layers of skin as well as muscles, ligaments and organs. The skin will turn white, though the pain may actually feel less intense because of damage to nerves.

Immediate medical care is essential to avoid further damage.

Coming Events

Haz Comm GHS for Employees
9:00 - 11:00 am or
1:00 - 3:00 pm

November 8

Wyoming Civic Center

November 22

Englewood Council Chambers

November 28-29

MVRMA Offices

Closed for

Thanksgiving Holiday

Snow and Ice Control
9:00 - 11:30 am or
12:30 - 3:00 pm

December 6

Mason Municipal Center

December 13

Piqua Council Chambers

December 20

Kettering Service Department

December 11

Dealing with Problem Employees

Mason Municipal Center

Time TBD

December 16

MVRMA Quarterly Board Meeting

MVRMA Offices

9:30 am

Holiday Luncheon

Kohler Center

11:30 am



Happy Holidays

From the MVRMA Staff,
Tom, Craig, Starr and Kathy