RISKY BUSINESS

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MIAMI VALLEY RISK MANAGEMENT ASSOCIATION

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From the Board Room...

At the September 27, 2010 Quarterly Board Meeting, the following actions were taken:

- Approved the Open Claims and Incurred Losses Report
- Adopted the Law Enforcement Best Practices Survey to begin in 2011, with scoring to be included 2012
- Accepted the 2010 Claims Audit
- Accepted MVRMA's Financial Report and CAFR for the year ending 12/31/09
- Approved the IPA contract with Clark, Schaefer, Hackett and Co. for the period 2010-2014
- Approved a one-year contract with Carol Riggle, CPA, to prepare the financial statements for the year ending 12/31/10
- Accepted the Loss Funding Study for LY23 (2011) as prepared by Godbold, Malpere and Co.
- Approved the 2011 Preliminary Budget and PCF
- Approved Closure of LY16 (2004) and the return of the balance ($1,900,808.03 as of 8/31/10) to the members of LY16
- Approved a depository agreement with Huntington National Bank and authorized the Executive Director to execute all necessary documents in order to invest funds in the CDARS program
- Mr. Reilly directed the Nominating Committee to develop a slate of officers for 2011

FYI

Money Refunded to Members

-Michael Hammond

Membership has its advantages! MVRMA member cities understand that by participating in the Association they are "owners." As owners, they benefit from the financial success of the Association. This point was again clearly illustrated when the MVRMA Board declared Loss Year 16 (2004) "closed" at the September 27th Board Meeting. Once interest was paid at the end of September, $1,901,982 was distributed to the members who participated in LY16.

This is the first time all 20 of the current members received a refund from a closed loss year. Our three most recent members joined the Association in 2004 and therefore, contributed to that loss fund.

With the closure of LY15 in 2009, we have been able to refund to our members $3,513,429 in the last two years. To date, MVRMA has closed 15 of its 22 loss years and has refunded $7,680,871 to the members who participated in those loss years. That amount represents a return of 56% of the funding contributed to pay losses in the pooled self-insured retention layer.

Interestingly, the refunded amounts from LY15 ($1,611,448) and LY16 ($1,901,982) both represent 91.4% of the monies originally contributed by the members to pay claims in those loss years. Even though claims totaled $704,094 for LY15 and $790,753 for LY16, much of this expense was recovered through interest income and members' deductibles.

Each year, as part of the MVRMA annual budgeting process, a loss funding amount is established specifically to pay claims in our self-insured retention layer. The amount of loss funding is determined by an actuarial study conducted by our independent actuary. This amount is based upon our loss cost experience and exposures and provides for a confidence level of 65%. The loss funding amount contributed for LY16 was $2,079,299. This amount represented a little more than half of the overall member contributions for 2004. The remaining amount covered the pool operational costs and monies set aside in a shock loss reserve fund.

The Board action to close a loss year is only taken after all known claims and lawsuits for that particular year have been settled or paid, **and** the loss year has been in existence for at least four years. This timeframe is required to insure the statute of limitations has expired. The normal life span for a loss year is 5-9 years.

Unlike a commercial insurance company or other insurance pooling arrangement, MVRMA refunds surplus loss reserves to contributing members when the loss year is declared closed. Within 30 days of the declaration, MVRMA deposits each member's surplus in the General Reserve Fund (GRF), unless notified in writing, prior to that time, of the municipality's decision to: (1) apply all or a portion of its surplus to any outstanding MVRMA invoice or (2) receive all or a portion of its surplus in the form of a refund. The GRF maintains separate accounting designed to preserve each member municipality's percentage ownership.

We strongly recommend that members keep some portion of their

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Counselors' Comments

Surdyk, Dowd & Turner

Identification Cards for Retired Police Officers

Perhaps lost in the controversy over Ohio's adoption of a concealed-carry law was the General Assembly's subsequent inclusion of similar provisions for retired peace officers. Effective March 14, 2007, Ohio Revised Code Section 2923.126(F) provides that Ohio agencies and political subdivisions (collectively, agencies) "served by one or more peace officers" must issue - at a minimum - identification cards to retired law enforcement officers. If a retired officer applicant meets certain criteria, local governments have the option of issuing "combination" photographic ID cards that include required personal information and a firearms requalification certification or, alternatively, a photographic ID card without the firearms certification. When a retired officer possesses either the "combination ID" or an ID card together with a separate, state-issued firearms recertification certificate, the officer is then allowed to carry a concealed weapon to the same extent as an individual who possesses a valid concealed carry permit. The retired officer with the appropriate documentation is also deemed to be "qualified" to carry a concealed weapon unless under the influence of alcohol or another intoxicating or hallucinatory drug or substance or unless prohibited by federal law from receiving a firearm.

To receive a Retired Peace Officer Identification Card (RPID) under current Ohio law, the applicant must comply with the agency's policies and procedures that govern issuance and must satisfy the following criteria:
1) the officer retired in good standing from the agency from which he or she is applying, and the retirement was not for reasons of mental instability; and
2) before retiring, the officer had the authority to engage in or supervise the prevention, detection, investigation, or prosecution of, or the incarceration of any person for, any violation of law: and,
3) before retiring, the officer had statutory powers of arrest; and,
4) at the time of retirement, the officer was trained and qualified to carry firearms in the performance of his or her duties; and,
5) before retiring, the officer was regularly employed as a peace officer for an aggregate of 15 years or more; or
6) if the officer did not have 15 years of regular employment as an officer, he or she retired from the agency applied to after completing any applicable probationary period, due to a service-connected disability, as determined by the agency.
The law also provides that, if the agency issues credentials to active law enforcement officers who serve the agency, it may issue the same credentials to retired officers who satisfy the foregoing criteria and stamp the credentials with the word, "RETIRED."

As mentioned, an agency has the option of combining an RPID with a firearms requalification certification. To accomplish this, the agency may provide the retired officer the opportunity to attend a recertification course required by Revised Code Section 109.801, and may require the officer to pay for the cost of the course. If the officer successfully completes the course, the agency may include the requalification certification on the RPID. In the alternative, the agency may accept from the retired officer a firearms requalification certification obtained following retirement and include the certification on the RPID. Unlike the firearms requalification certifications received by officers while still active, which must be renewed annually, a retired officer's requalification remains valid for five years.

If approved, an RPID must: identify the retired officer by name; contain the

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The Claims File

-Craig Blair

Recently, one of our member cities requested information about its auto losses. The city wanted to know how it compared to other "like" MVRMA member cities. The objective was goal setting from a risk management perspective and, if possible, to establish some "benchmarks." While a group of 20 MVRMA members may be too small a sampling for benchmarking, it none the less is a good place to start.

For this analysis, we used the number of titled vehicles as our baseline and came up with six member cities that were comparable to the member who made the request. This group also made up the majority of our larger members. We looked at the last six years of losses for each city and compared them to each other and to the overall pool losses. We then looked at the "preventable accident" figures as a comparison to total auto losses. (We consider preventable accidents as those caused by backing, rear ending and one car non-weather related incidents.)

In reviewing the data for auto related accidents compared to total number of losses, we found the majority of this group to be about 5% higher than the pool average of 43%. This percentage equates to approximately 11 auto accidents per year. While severity (paid losses) can be a volatile number, frequency is a more tangible figure to work with from a risk management/ training standpoint. Surprisingly, we found the frequency numbers for two members of this group to be significantly lower than the rest. After further review, we discovered these two members had either an internal training program and/or were regularly attending the MVRMA driver training sessions.

Auto losses are a component of overall losses, which play a large part in determining a member city's premium

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Loss Control Lowdown

- Starr Markworth

A Smoke Detector is a Smoke Detector, Right?

I recently attended the City of Bellbrook's Safety Day where Firefighter Sarah Martin presented some valuable information about smoke detectors. According to Sarah, recent studies indicate different types of smoke detectors have different levels of effectiveness. Knowing more about smoke detectors is important for the workplace as well as your home.

While all smoke detectors are designed to give occupants early warning of a fire, allowing them precious time to escape, smoke detectors are activated by different forms of smoke and perform in different ways.

There are two types of smoke detectors on the market, Ionization and Photoelectric. They both detect smoke, but it is the way they perform that can have devastatingly different results.

There are two scenarios to be aware of, the flaming fire and the smoldering fire. A flaming fire is more likely to occur in the kitchen while cooking. A smoldering fire is more likely to occur at an electrical outlet, any piece of lighting, any piece of power equipment, a battery charger, etc.

The Ionization smoke detector is designed to detect smoke that is produced from a flaming fire that has extremely fine particles suspended in the air. The Photoelectric detector has been shown to outperform during a smoldering fire, which generally produces thick, dense, choking smoke.

During a flaming fire, the Ionization detector goes off ten seconds faster than a Photoelectric detector. However, in a smoldering fire, the Photoelectric detector can go off 12-30 MINUTES faster than the Ionization detector.

Did you know that 75% of fire fatalities occur in the home, and most of those occur during sleeping hours? Seventy per cent of the fatalities in our area are directly due to smoke inhalation. Death occurs before the heat and flames even reach the victim.

Smoke detectors, like anything else, can break down. During a smoldering fire, the Ionization detector fails 56% of the time, while the Photoelectric detector fails only 4% of the time. So, if you are in a house that is filling with smoke, do you want the detector to go off immediately, or are you willing to wait 12-30 minutes?

How do you know which detector you have? Take it off the ceiling, and look on the back. If it is an Ionization detector, it will have an "I" in a circle or the words "radioactive materials." The Photoelectric detector will have a "P" in a circle.

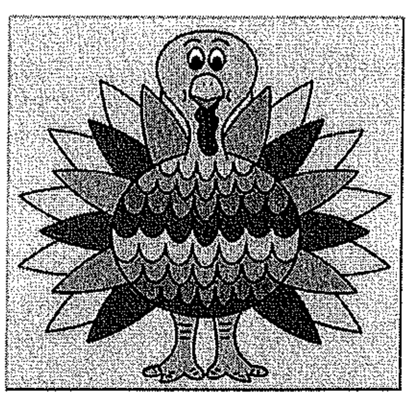
Our advice is, wherever possible, to change to Photoelectric detectors.

Facts provided by: City of Bellbrook Fire Department, National Fire Protection Agency, Texas A&M University, Hamilton County Coroner's Office and Colerain Twp. Fire Captain Mark Walsh

Turkey Day

In honor of the season's favorite dinner guest, let us all join in a rousing rendition of Mr. Turkey (sung to the tune of "Frere Jacque").

Mr. Turkey, Mr. Turkey,
Run away, run away.
If you don't be careful,
You will be a mouthful
Thanksgiving Day
Thanksgiving Day



Enjoy the holidays!

Brokers' Beat... Alliant

As MVRMA prepares the 2011 budget, and with wind season along the Atlantic and Gulf coasts drawing to a close, October is always an excellent time to assess the conditions of the commercial insurance marketplace. These conditions influence the pricing of the reinsurance and excess insurance that MVRMA purchases on behalf of its members and ultimately impact the bottom line of the budget.

Since the bottoming of financial markets in March of 2009, there have been no financial or political events to impact a continuing soft marketplace, and wind and earthquake catastrophic events have been minimal during the recovery period. Using combined financial industry results for the first six months of 2010, industry capital and surplus have increased to $530 billion, an increase from $463 billion a year ago. Capital and surplus actually peaked in the first quarter of 2010 at $540 billion, an all time high. These dramatic increases are due to two elements: a lack of catastrophic events and excellent returns on the securities portion of the industry portfolios.

On the negative side, the industry posted a combined ratio of $101%, or a modest 1% underwriting/operating loss for the first half of 2010. Net earned premiums have continued to decline as carriers compete for shrinking premiums in an economy that is slowly recovering from a difficult recession. The first half results are more evidence of continuing competitive pressures. Carriers are lowering pricing resulting in reduced net earned premiums. In short, the top line of the industry is shrinking, which will eventually catch up to the bottom line. With net earned premiums continuing to erode and combined underwriting/operating ratios increasing, capital & surplus will finally start to decline causing a hard market. However, the timing for this reversal (Cont. on Page 4 - See ALLIANT)

Comments (Cont./Pg. 2)

officer's photograph; identify the agency from which the officer retired and that is issuing the RPID; state that the officer retired in good standing from service as a peace officer with the issuing agency; and, that the officer satisfies the criteria mentioned above. If the RPID application is denied, the decision-maker should be prepared to state the reasons for the denial, which is subject to appeal to common pleas court under Chapter 2506 of the Ohio Revised Code. An additional consideration is that the RPID application and any documentation supplied in support of the application will be subject to the Ohio Public Records Act.

Each agency should determine a policy best suited for its own needs. Some matters the agency should consider include:

- What documentation will the agency accept for proof of the required criteria?
- Who will the agency designate to review and determine applications?
- Is the agency willing to accept the potential risk of liability if it issues a "combination ID" that includes both the RPID and firearms requalification certification and the concealed-carry privilege is misused?
- Will the agency charge a fee to issue an RPID?

Whatever the agency decides, it should adopt a policy stating its findings on these and other issues, include the required application procedures, the definitions of significant terms and an RPID application that clearly guides applicants in providing the necessary information and documentation required for approval.

Alliant (Cont./Pg. 3)

is probably well into the future, without an intervening catastrophic event. It is anticipated that the size of this catastrophic event would need to be in the range of $60 billion to $120 billion to reverse the ongoing soft market.

The results that Alliant experienced for its July 1st property and liability renewals are consistent with these first half industry results and representative of a continuing soft market. Some of the actions we see from carriers as part of our broker activites are their emergence into specialized lines of business including pollution/environmental, cyber liability, emergency response coverage and regulatory liability lines of coverage. We also suspect that carriers are beginning to look at the valuation of reserves as a method to keep underwriting/operating ratios at respectable levels.

In summary, we still see a marketplace that is being driven by marginal underwriting/operating performance with carriers scrambling in any number of different ways to increase premium volume and hold the line on operating perform-ance.

Coming Events

November 11
Legal Update
1:00-4:00pm
Centerville Police Department

November 25-26
December 24 and 31
MVRMA Offices Closed

December 20
MVRMA Quarterly Board Meeting
9:30am
MVRMA Offices

FYI (Cont./Page 1)

monies on deposit in the GRF to help offset any unexpected increases in their annual contribution amount. This approach will allow members to stabilize their funding year to year. Currently, we are enjoying a soft insurance market with lower insurance cost. However, if the insurance market hardens and prices increase, members will be able to use their GRF account to buffer those increases as well as any increase in contribution caused by adverse loss experience.

The potential for surplus loss reserves in any given loss year provide a real incentive for our members to practice effective loss control measures and transfer risk whenever possible. By focusing on safety training, effective management and policy development, members can benefit from reduced loss cost. Making risk management a priority pays and is essential to the success of the MVRMA program.

We are pleased that, during this difficult economic period, the "owners" of our pool are able to benefit from the closure of another loss year and the return of surplus funds.

Claims (Cont./Pg. 2)

calculation factor (PCF). Reviewing auto losses and determining which drivers are causing those losses is a first step in establishing accountability. The next step is to set training goals for all drivers.

A city can control preventable accidents by establishing internal reporting policies and training. And, managing losses is the best way to control the premiums you pay to MVRMA.

This year's annual SW Ohio Snowplow Roadeo was held October 7 at Dayton's Welcome Stadium. Several MVRMA cities participated. Above, Jeff Kohus, City of Mason Public Works, prepares to start his roadeo run.