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NYMIR Appraisal Program

**By Brian Custer, President, NYMIR Division,
Wright Risk Management**

Late in 2001, NYMIR hired Maximus, a leading national appraisal firm, to appraise all NYMIR subscribers who are insuring buildings which have an estimated replacement cost of \$100,000 or higher. One purpose of the project is to assure our subscribers that NYMIR is insuring their buildings for the proper value. NYMIR is performing this valuable service free of charge to its member subscribers.

The appraisal is also a solid first step for a municipality to comply with GASB 34 requirements. In addition to buildings, GASB 34 requires a municipality to properly appraise the values of its contents and infrastructure (roads, bridges,

etc.). Maximus can complete these additional requirements at a discounted fee through your membership, in NYMIR.

To date the program has been a resounding success. The average appraisal has shown subscribers to be approximately twenty percent underinsured. In addition many NYMIR subscribers have elected to hire Maximus to complete the full GASB 34 evaluation. Early participants have expressed their satisfaction on having this service made available to them.

At NYMIR, we take great pride in providing these value added services to your insurance program. If you have other ideas for us to consider, please let us know.





Assessability: A Valid Decision

**By Brian Custer, President, NYMIR Division,
Wright Risk Management**

When NYMIR was founded, it elected to be an assessable insurance company. As such, NYMIR was exempt from making contributions to the Property Casualty Insurance Security Fund (the Security Fund). In our early years, and to some degree at present, many parties were critical of this decision and used it to “market” against us. However, we determined it was the proper decision then and remain steadfast in regard to it today.

The main reasons we chose this path are philosophical and financial in nature. In order not to be an assessable insurer, the company must make contributions to the Security Fund. This cost is not minimal. It can run approximately 3.5% of net written premium. In NYMIR’s case, over \$500,000 per year. Economically, the NYMIR Board felt they would rather have the company retain that money and put it to better use, investigating and defending the claims of its members. Philosophically, the company chose to be assessable because we only wanted to pay for the insurance responsibilities of New York municipalities. We did not want to be responsible for the failure of other insurers doing business in New York.

Finally, we choose assessability because it is a powerful influence on how we operate and manage your company.

The last thing we’d ever want, is to be in a position where we needed to assess you for a shortfall in our operations. As such, we run a very fiscally sound company wherein we constantly improve on our financial strength. We want you, our members, to take comfort in that approach.



Our decision on assessability was valid 10 years ago and is still valid today. Perhaps even more so. Why? Because in the spring of 2002, the Security Fund issued its own assessment to its members. An assessment that would have cost NYMIR almost a million dollars had it belonged to the Security Fund. We do not, and as a result we are that much stronger financially and operationally to better serve you, our owners.

If you have more questions concerning assessability and how it applies to your municipality, we’d be more than happy to speak to you in greater detail. Please feel free to contact Susan O’Rorke at (518) 437-1171 or Paul Donovan at (716) 389-0910.

ARE YOU INTERESTED IN SERVING?

The **NYMIR Board of Governors** is made up of 13 elected or appointed public officials, each from a subscriber municipality. Each year a limited number of positions on the Board become available. If you are interested in learning more about how you can be eligible to serve please contact either **Sandy Frankel**, President, NYMIR Board of Governors, at (716) 784-5251; **Brian Custer**, President, NYMIR division of Wright Risk Management, at (518) 437-1171; or your respective association, who serve as Attorney-in-Fact for NYMIR.

Traffic Hazards Faced by Emergency Responders

By Joann Robertson, Asst. Manager of Risk Management Services

All emergency responders, whether they are firefighters, police officers, or emergency medical technicians, face the common hazard of traffic-related accidents each day. This hazard may occur while they are at, near, or responding to a call. Motorists, who often cause collisions with emergency responders, may be distracted, confused, reckless or drug-impaired. As drivers we must realize this is the biggest risk faced by emergency responders and keep these dedicated individuals safe by improving our driving skills and awareness.

As an ordinary motorist, what do you do if an emergency vehicle is behind you? Drivers should know to slow down and pull over to the right side of the road, or at least, move your vehicle as far to the right of the road as possible. In some cities, there are designated fire lanes to keep clear in this situation. Always follow the instructions of the emergency vehicle operator if direction is given. Also, when near the scene of an emergency realize that responders are concentrating on the job at hand, so be alert, slow down, and ensure they have room to do their job safely.

When we are on the road with larger vehicles, such as snowplows or street sweepers, we should be aware to pass safely and drive more cautiously. After all, these large vehicles may stop slower, turn wider and have larger blind spots. This is true with emergency vehicles, yet these operators have the added stress of long hours and the emergency, along with potentially poor road conditions, unfamiliar areas, and higher speeds. Be aware that emergency vehicle operators are battling these additional difficult driving conditions and be extra careful.

Another situation where caution should be exercised is when operating your vehicle near an ambulance. Did you realize that in the back might be an unsecured technician busy assisting patients while the vehicle is in motion? If a collision occurs, this unsecured passenger and the patient are surrounded by sharp edges and equipment that can become dangerous projectiles. Obviously, any motorist who is aware of this difficult situation would always give ambulances increased following distance.



In addition, realize that fire trucks have a higher center of gravity than our vehicles and thereby an increased risk of tip-over. In most cases, pumper trucks carry large quantities of water, which moves around causing additional forces for the operator to handle when turning and stopping. Let's not forget the large size of fire trucks and their need to negotiate through increased traffic, narrow streets and parked cars. Thankfully firemen are usually only seen standing on the sides of the fire trucks in cartoons, although in the past it was a common practice.

Policemen are frequently on the side of the road while assisting motorists or writing tickets, and face the increased risk of spending a great deal of time near passing traffic. Realize that police cars themselves can distract their drivers due to the lights, sirens, radios, etc. Many policemen spend long hours on the road which increase their chances of being involved in an accident also.

Emergency responders face traffic-related hazards even when their vehicle is not in motion, since the danger even exists when sitting in their own vehicles, working on the side of the road or unloading their gear. One reason for this increased risk is the "moth effect," which occurs when passing motorists are distracted by the bright emergency lights and drive towards them, instead of responding in the anticipated manner. Also, some drivers may panic or act unpredictably when lights and sirens are activated, especially since today's vehicles are more soundproofed and drivers may be suddenly startled. This is why emergency responders prioritize calls and do not always respond with lights and sirens.

For additional information on the hazards faced by emergency responders, visit www.respondersafety.com. This site provides reports of fatalities and injuries, legislative developments, updates on training and articles on emergency responder safety.

By improving the average motorists understanding of the hazards emergency responders face, we can reduce the chances of collisions, injuries and fatalities. After all, in the American workplace, traffic-related accidents are the most common cause of occupational fatalities and all we must pitch in together to reduce this hazard.

ENTERPRISE RISK MANAGEMENT

by **Bob Bambino, Director of Risk Management**

As members of NYMIR, subscribers are familiar with risk management concepts and the risk management process of identifying risk, selecting methods to prevent, control, and finance risk, implementing the program and monitoring results. Risk management traditionally deals with *accident risk*, or risk associated with financial loss resulting from claims and lawsuits emanating from accidents or occurrences. Bodily injury, property damage, and other types of financial loss can impede a municipality’s ability to deliver services to its residents and others.

Enterprise risk management (ERM) takes a holistic approach toward risk. It doesn’t limit risk identification and treatment to accident risk. Rather, it addresses all the exposures of an organization in order to minimize the overall loss exposure to the entity. Risk typically analyzed includes: operational,

financial/market, political, and catastrophic risks together, rather than separately, as we have done in the past.

“Silo” Thinking

Risk managers often see risk in terms of categories or “silos.” Each classification of risk (such as, fire, automobile liability, law enforcement liability) is viewed as distinct and independent of others. For example, in a broad sense, a belief that fires in the western states or floods in Texas will have no effect upon the insurability of risks here in the Northeast. In a more restrictive way, the impact local events, such as service disruptions, labor unrest, and changes in the local economy, have on a municipality’s ability to provide services, retain staff and achieve goals.

With ERM, municipal administrators analyze and plot the effect of one exposure on the enterprise as a whole. Once this is done, planning for loss can begin.

Key risk for municipalities include:

TYPE OF RISK	ELEMENTS AT RISK	EXAMPLES
Operational	Risks inherent to the entity	Loss of income or an increase in expenses
Financial Risk	Inability to meet fixed financial obligations;	Principal and interest payments on debt
Operating Risk	Possibility of loss due to the breakdown of technology or support systems	Computer systems, machinery, labor unrest
Credit Risk	Loss due to the failure of borrows to repay	Funding, loan repayment, tax collections, debt, or other parties to pay promised funds
Hazard Risk	Possibility of loss from property and liability exposures	Loss or damage to owned property; legal liability exposures from accidents
Reputation Risk	Loss of reputation	Tarnished identity or reputation
Financial/Market Risk	Possibility of loss in the value of financial instruments and investments	Changes in interest rates, securities and commodities prices
Interest Rate Risk	The chance that interest rates will fall	Change in CD or money-mark rates
Commodity Price Risk	The possibility that the price of a commodity will fall	Change in the price of oil, wheat or grain
Security Risk	Change in the market price of securities	Decrease in the market price of stocks and bonds
Financial Operations Risk	Loss of state and federal funding, devaluation of real estate or other community tax base	Reduced revenues, inability to sell bonds
Political Risk	Negative effect of political discord	Change in local politics, change in municipal board
Catastrophic Risk	Far-reaching effects of a severe event due to natural and manmade disasters.	Loss of revenue or an increase in expenses

“What-If” Scenarios

A good way to identify cross-silo effects is to develop “what-if” scenarios. Used properly, these scenarios will help uncover interdependencies between an organization’s operations and processes and the impact upon the entire entity. By using an analytical framework model, a municipality can identify exposures and their potential financial impact on the organization’s ability to deliver services.¹ **Table One** is a sample framework.

Using Analytical Framework Models

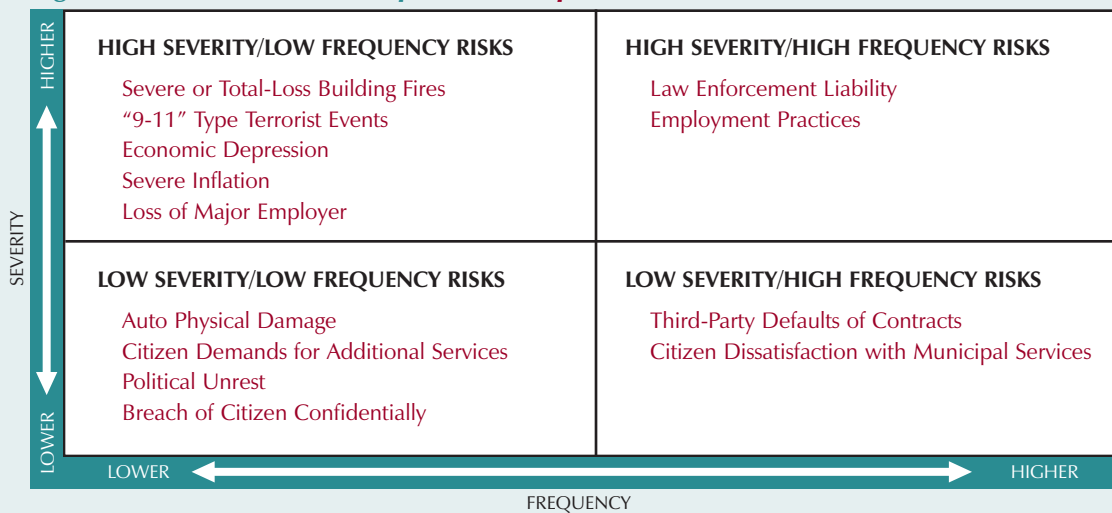
Each risk source in the vertical column at the far left identified in **Table One** can produce large-scale loss and have adverse effects on ability of the municipality to carry out its mission and provide services. By indicating the potential impact of loss on each of these categories, an organization can determine which events have the likelihood of producing the greatest financial loss.

Table Two is a frequency and severity worksheet that enables an organization to plot potential frequency and severity estimates for each of the risk sources identified. Complete one worksheet for each risk source that can produce loss (potentially twelve) with frequency and severity estimates, using a scale of one to ten, with ten representing the greatest loss potential.

Risk Mapping

Using the frequency and severity rankings enables the municipality to plot a risk map. A risk map is a graph that segregates loss exposures into four categories based on their potential frequency and severity. Plotting helps the organization determine which loss exposures need to be addressed. **Figure One** is a model risk map that can be used by NYMIR subscribers.

Figure One – Model Risk Map with Examples



Strategies

There are many different ways to treat the risk sources identified in **Table One**. Strategies and treatment depend on several different factors, some beyond the municipality’s control. They include:

- Likely impact of loss exposures on the municipality
- Probable ultimate loss
- Regulatory restraints
- Amount of funds to finance and treat exposures
- Training/experience of staff
- Support from the board and municipal administrators
- Community support

The risk sources identified in **Table One** represent exposures systemic to municipal entities as a whole, and they have impact throughout the entire entity. Examples of different strategies to treat and control risk are outlined in **Table Three**.

¹ Developed from: *Risk Identification and Analysis: A Guide for Small Public Entities*, by Claire Lee Reiss from Public Entity Risk Institute (PERI), Fairfax, VA. We thank PERI for the use of their material and strongly recommend subscribers to obtain the entire publication.

Table One – Model Analytical Framework

Risk Sources	Financial Resources	Material Resources	Human Resources	Service Delivery	Public Perception of Entity	Environment	Community
Natural Hazards							
Contracts and Legal Relationships							
Financial Operations							
Errors & Omissions or Misconduct by Public Officials and Employees							
Acts or Omissions by Third-Parties							
State or Federal Laws or Regulations							
Economic Conditions							
Government Activities							
Dependence on Outside Resources							
Property Loss							
Dependence on Technology							
Workforce and Labor Issues							

Each risk source in the vertical column at the far left identified in Table One can produce large-scale loss and have adverse effects on ability of the municipality to carry out its mission and provide services.

Table Two – Frequency and Severity Worksheet

Risk Source: _____

Impact	Description of Possible Losses	Frequency Estimate	Severity Estimate	Comments and Potential Strategies
Financial Resources				
Material Resources				
Human Resources				
Service Delivery				
Public Perception of Entity				
Liability to Third-parties				
Environment				
Community				

Table Two is a frequency and severity worksheet that enables an organization to plot potential frequency and severity estimates for each of the risk sources identified.

Table Three – Strategies for Treating Risk

RISK SOURCE	EXAMPLES	STRATEGIES
Natural Hazards	Weather extremes Wildfires Erosion Mudslides	Emergency action plans Mutual aid agreements Financing for disaster response activities Coordinating state and federal relief Adopting building codes requiring disaster resistant construction
Contracts and Legal Obligation	Purchase agreements Construction projects Leases Notes, mortgages and loans Indemnification agreements	Risk management/legal review of contracts Centralizing contract processing Requiring surety bonds Utilizing risk transfers
Financial Operations	Poor financial transactions and investments Sloppy cash handling procedures Unfavorable bond and credit ratings Decrease in real estate values	Implement internal audit controls Implement cash handling controls and security Hire competent investment counselor Implement computer security Back-up of financial records Promote economic health of the community
Errors & Omissions by Public Officials and Employees	Employment practices claims Criminal acts Conflicts of interest	Establish policies and procedures Train officials and staff Appoint and utilize experienced counsel
Acts or Omissions by Third-Parties	Third-party acts of negligence or criminal acts Environmental contamination Required municipal response	Address criminal acts in emergency management plans Increase security at public events Coordinate with law enforcement Train/equip employees
State or Federal Laws or Regulations	Changes in laws or regulations	Appoint and utilize experienced counsel Monitor legislative and regulatory initiatives and changes Join statewide groups Prepare and fund for compliance
Economic Conditions	Negative changes in the economy Credit rate risk	Address emerging economic problems in the community
Government Activities and Services	Adoption and changes to ordinances and regulations Land use decisions Community planning Public health issues Facility maintenance Utilities Public health Hazardous material storage and treatment Civil rights issues	Establish policies and procedures Train staff Conduct safety inspections of facilities and equipment Provide adequate security at public events Appoint compliance officers Provide competent legal advice to the board
Dependence on Outside Resources	Interrupted supply chain Over dependence on outside supplies Loss of utility services	Identify critical operations and “bottlenecks” Establish contingency plans – check suppliers’ plans Consider long-term contracts with key suppliers
Property Loss	Damage to buildings and equipment Loss of income Extra expenses	Secure adequate insurance coverage Conduct safety inspections Install and maintain alarms and sprinkler systems Establish contingency plans
Dependence on Technology	Loss of computer hardware/software Network failure Hacking Misuse of e-mail by employees Copyright violations	Back-up data Implement security measures Implement security plans Safeguard computers Establish computer security Establish policies and procedures Centralize control of software installation
Workforce and Labor Issues	Strikes Work slowdowns Litigation by unions or employees Reputation risk	Establish policies and procedures Utilize competent labor counsel Compliance with civil service laws and collective bargaining agreements Train/supervise managers Follow and enforce labor laws Establish and follow the employee handbook

NEW MEMBERS/SUBSCRIBERS

(since last newsletter • 3/02)

County of Wayne	Town of Argyle
Wayne County Water & Sewer Authority	Town of Prattsburgh
Amenia Water District #1	Town of Schuyler
City of Niagara Falls	Town of Sharon
City of Little Falls	Town of South Valley
City of Saratoga Springs	Town of Berlin
Town of Adams	Town of Woodstock
Town of Laurens	Village of Avoca
Town of Amenia	Village of Cedarhurst
Town of Avoca	Village of Wolcott
Town of Fort Covington	Village of Cobleskill
Town of Bethel	Village of Delhi
Town of Callicoon	Incorporated Village of East Rockaway
Town of Cazenovia	Village of Mineola
Town of German	Village of Esperance
Town of Champion	Village of Fishkill
Town of New Scotland	Village of Herkimer
Town of Chenango	Village of Hermon
Town of Denning	Village of Jeffersonville
Town of Edwards	Village of Potsdam
Town of Granger	Village of Lindenhurst
Town of Halfmoon	Village of Monroe
Town of Bath	Village of North Collins
Town of Hopkinton	Village of Northport
Town of Clifton Park	Village of Parish & Parish Library Association
Town of Kingston	Village of Pawling
Town of Brasher	Village of Remsen
Town of Kirkland	Village of Walton
Town of Poestenkill	Village of Warwick
Town of Chatham	Village of Pleasantville
Town of LaGrange	Brasher Stockholm Recreation Center
Town of Coventry	Cutchogue New Suffolk Park District
Town of Lebanon	East Hampton Housing Authority
Town of Georgetown	
Town of Lewisboro	
Town of North Collins	
Town of Pawling	

IF YOU WOULD LIKE TO CONTRIBUTE TO "IT'S OUR POLICY," SEND YOUR COMMENTS, SUGGESTIONS AND MEMBER NEWS TO:

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Wright Risk Management,
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Albany, New York 12205
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UPCOMING EVENTS

Finance Committee Meeting

October 18, 2002

Rules Meeting

October 18, 2002

Planning & Development Meeting

October 11, 2002

Board of Governors Meeting

October 8, 2002

Contact Brian Custer
for more information
(518) 437-1171



"It's Our Policy" is the official publication of the New York Municipal Insurance Reciprocal.

Visit our website at

WWW.NYMIR.ORG

You'll find helpful information about NYMIR, as well as information regarding Planning & Zoning and past issues of our newsletter.