



The Risk Pool Advantage

By Jonathan G. Steiner

It has been called the single most successful example of interlocal cooperation. It has saved millions of taxpayer dollars and thousands of lives. It is a model that has been copied by such public sector businesses as auto dealers, golf course owners, the hospitality industry and more. It is being talked about by Congress and the President as a potential solution to the health care crisis.

What is “It?” “It” is risk pooling: towns, cities and schools working together cooperatively to pool insurance coverage dollars and create their own “insurance” company.

Across America, more than 500 of these pools exist, covering everything from transit authorities to counties. In New Hampshire, there are three public pools and several private industry pools managing risks for their membership.

Here’s how it works: Rather than buy traditional insurance from a large insurance company or through an insurance broker (or middle man), “premiums” are pooled together. Traditional insurance companies invest the premiums and hope to make a profit by paying out less in claims over time than the combination of premiums and investments. That profit is retained by the insurance company or used to pay shareholders. Pools, on the other hand, are not for profit. They take the “premiums” and invest them as well. However, the “profits” are used to reduce rates and offer training and safety programs to help reduce claims, risks and injuries. So, philosophically, traditional insurance companies exist to make money, while pools exist to offer stable pricing, specialized coverages and reduced risks. It is this philosophy that has saved millions in taxpayer dollars and saved lives.

LGC’s Pooled Risk Coverage

The New Hampshire Municipal Association (NHMA) was founded in 1941 for the purpose of exchanging information in the interest of more efficient and effective local government.

In 1984, the NHMA established the HealthTrust risk coverage pool to provide member groups with control over costs, coverages and availability of employee health and other benefits. In 1988, HealthTrust participation was opened up to New Hampshire schools. HealthTrust’s goal is to provide member groups with the programs and services they need to effectively manage long-term costs, while helping to keep employees healthy and productive. HealthTrust’s offerings include medical, prescription drug, dental, short- and long-term disability, life and flexible spending account plans, along with health management programs, *WELLDollars* grants, flu vaccine reimbursements and more. Our nonprofit structure means we understand the unique challenges of providing programs to those who serve others. HealthTrust rates are competitive across the board, and our financial status is strong with well-reserved fund balances for potential claims.

The NHMA launched the Property-Liability Trust (PLT) in 1986 to help municipal member groups better manage risk, prevent losses and save money, and to guarantee availability of coverage after private insurers abandoned local governments in the marketplace. Since the program’s inception, we have promoted a true partnership with member groups to help them understand potential risk exposures and remain protected from risk through our nonprofit PLT. Because PLT representatives have backgrounds in various areas of municipal and school risk exposures, they have a first-hand understanding

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of the extra effort and “member first” philosophy necessary to successfully administer claims for the benefit of member groups.

Our PLT offerings include: easy-to-read Member Agreements providing broad protection for liability, property and crime exposures; claims administration by in-house, licensed claims adjusters; a veto provision that gives member groups faced with third-party claims felt to be frivolous an option to veto recommended claim settlements; an Employment Law Hotline; leadership development opportunities through the Local Government Leadership Institute; and a variety of valuable risk management/loss prevention programs. The PLT expanded in 2000 to offer workers’ compensation and unemployment compensation coverage in response to our members’ needs for a high-quality, member-focused program and to provide all their needs in one location, assisting municipalities, counties, schools and other public/quasi-public entities in offering unemployment benefits.

In 2003, the NHMA, HealthTrust, PLT and Workers’ Compensation Trust were reorganized under the umbrella of the New Hampshire Local Government Center, and under the direction of one board of directors—comprising local,

municipal, school and county representatives including labor, management and elected officials—to more effectively and efficiently oversee these programs.

Today, LGC’s risk management programs are nationally-recognized as leaders in pooled risk management. HealthTrust is among the largest pools of its kind in the country, covering more than 70,000 lives—105,000 lives including state employees in our prescription coverage program—and annual revenues in excess of \$350 million. The PLT covers \$4.9 billion of property value and 5,270 vehicles, and the Workers’ Compensation Program covers more than \$675 million in payroll. The LGC’s risk management programs have returned \$15,462,536 in direct dividend payments to members in addition to providing reliable and cost competitive insurance coverages for 25 years.

Who Can Participate

New Hampshire cities and towns participating as members of the NHMA may access these coverages as a benefit of municipal membership. Other local governments may access LGC’s pooled-coverage programs through the service and associate levels of NHMA membership. Eligible entities include schools, village districts, utility districts, counties, regional planning commissions or quasi-municipal public agencies serving municipalities, subject to

the approval and terms of the NHMA Municipal Advocacy Committee. Currently, NHMA membership includes 458 member groups, with 235 municipal (includes Coos County), 28 associate and 195 service members.

These LGC programs serve to strengthen the ability of New Hampshire municipalities, schools and county governments to serve the public. Visit the Coverage Programs section of the LGC website at www.nhlgc.org to learn more about offerings available through LGC’s pooled coverage programs.

For more information about membership and participation in LGC’s pooled coverage programs, contact Jon Steiner, associate executive director for member relations, at 800.852.3358 or jsteiner@nhlgc.org.