

TESTIMONY IN SUPORT OF LEGISLATIVE ACTION TO FACILITATE IRMA OPERATIONS

5442

TESTIMONY BEFORE
THE INSURANCE AND REAL ESTATE COMMITTEE
OF THE CONNECTICUT GENERAL ASSEMBLY

HB – 5442

My name is John Patton. I am a member of the Municipal Interlocal Risk Management Agency (MIRMA) Board of Directors and the Chairman of the Finance Committee.

In 2001, the Chaplin First Selectman and I, as the Willington First Selectman, helped with the creation of MIRMA. We formed MIRMA because there was a need to assist the small to medium towns with risk management services as well the need to bring competition to the insurance marketplace for all Connecticut Cities, Towns and Local Public Agencies. At the time MIRMA started operations in 2002, the primary provider of municipal insurance in the State of Connecticut was an IRMA that was started 22 years earlier. Municipalities, especially small communities, did not have much of a choice when it came to an insurance provider.

As I am sure you know, any new company encounters difficulty in attracting business. An IRMA is no different. It is hard to convince municipalities to help support a new non-profit insurer even if it is competitive in pricing and offers superior service. You have to go out and prove that you do to offer superior service. It takes time to develop a name and reputation for doing what you say that you will do. MIRMA has done just that. This is reflected in the fact that only one member in the last three years did not renew with MIRMA while thirteen members have been added in that same time period. Members are constantly telling us what a great job that we are doing in the area of services. Members have turned out to be our best sales staff.

In addition to service, MIRMA has positioned itself with an excellent reinsurance package with Best Rated A+ carriers. MIRMA has a low retention on a specific occurrence and then coverage to the statutory limits required in CT, as well as unlimited aggregate coverage.

The premium and losses are reviewed by the Board of Directors on a quarterly basis. The PMA claim supervisor reviews the loss run and any larger claims. The one thing that we have a hard time getting our arms around is the "Incurred But Not Reported" (IBNR). We are told by our Actuaries (Towers Perrin Tillinghast) that our Program is too young to use its own development ratios so we have to use state and national standards. They tell us that an IRMA will need 12-15 years of experience of sufficient size before they can rely on the IRMA's data. A very recent cash-flow analysis report done by our Actuaries shows sufficient cash on hand to meet all of our obligations by June 2015.

Unless the State of Connecticut is willing to provide capital funding as it did with the first IRMA, what is needed is time for the IBNR to run its course. By suspending the contingency reserve requirement until July 1, 2015, for any IRMA formed prior to July 1, 2005, the IRMA's will be able to let the IBNR run its own course and then be in the position to use its own development factors rather national standards.

Respectfully submitted

John Patton