TESTIMONY IN SUPPORT OF LEGISLATIVE ACTION TO FACILITATE IRMA OPERATION

TESTIMONY BEFORE
THE INSURANCE AND REAL ESTATE COMMITTEE
OF THE CONNECTICUT GENERAL ASSEMBLY
IN SUPPORT OF LEGISLATIVE ACTION TO FACILITATE
INTERLOCAL RISK MANAGEMENT AGENCY (IRMA) OPERATIONS

HB – 5011

My name is David Denvir. I am Chairman of the Board of the Municipal Interlocal Risk Management Agency (MIRMA). MIRMA was organized pursuant to Chapter 113a, on "Municipal Risk Management Pools" of the Connecticut General Statues. MIRMA operates as a Workers Compensation (WC) Program.

I am here to make some important points on behalf of MIRMA and its member municipalities and school districts in this State, and any IRMA that may come in the future:

- As a practical matter, an IRMA can not easily survive, let alone be successful under the IRMA Statue with its existing terms, particularly Section 7-479e on "Reserves for Contingency" (or "Surplus" as it is usually called).

- Subsection (c) of this section requires a Workers Compensation pool of an IRMA, like the MIRMA WC Program to maintain a reserve for contingency at a minimum of one hundred thousand dollars for each fiscal year that the pool is in operation to an aggregate of five hundred thousand dollars.

- The Connecticut Local Risk Management Agency (CIRMA) came into existence and operated during its early years when there were no Reserve Contingency requirements now found in Section 7-749e(c).

- CIRMA was given an $8.6 million interest-free capitalization loan by the State through its then existing Municipal Liability Trust Fund.

As a matter of public policy, I submit that the State needs to nurture an IRMA, which is designed to protect public entities throughout the State, and to consider doing what the State can to facilitate IRMA operations, especially if the State is not presently in a position to give MIRMA an interest-free capitalization loan of any dimensions at this time.

As stated earlier, in order to survive and be successful an IRMA needs time to build its membership and WC Premium base and time for is "Incurred But Not Reported" (IBNR) to develop to actual. According to Actuaries the development of the IBNR can take 10-12 years and longer. For this reason alone it is essential that an IRMA be given a suspension of the "Reserve for Contingency" as defined in Section 7-479(e).

We are requesting that the suspension of "Reserve for Contingency" be extended to July 1, 2016, at the option of any interlocal risk management pool organized for less than 10 years as of July 1, 2005.

Then beginning as of July 1, 2017 than interlocal risk management pool shall maintain the applicable reserves for contingency as if its first fiscal year beginning on or after July 1, 2016 was its first year of operation.

Respectfully submitted

David L. Denvir
February 9, 2010

Hartford, Connecticut