

**MASSACHUSETTS
MUNICIPAL
ASSOCIATION**

ONE WINTHROP SQUARE, BOSTON, MA 02110
617-426 7272 • 800-882-1498 • fax 617-695-1314 • www.mma.org

March 2011

Dear Municipal Executive,

As you know, the MMA is working hard to advocate on behalf of cities and towns on one of the most pressing issues facing local government – municipal health insurance reform.

Recently, opponents of the MMA's call for municipal health insurance reform have shifted to another tactic to try to impede the momentum for change, suggesting that the association has a conflict because of the MIIA program. As you know, the MMA has absolutely no conflict. This distortion is being raised as a red herring in an attempt to distract attention from the real issue facing cities and towns: taxpayers cannot afford the current restrictions on local government that are forcing higher costs. We have attached a fact sheet that you may find helpful.

The MMA's municipal health insurance reform position was established by unanimous vote of hundreds of local officials at the organization's Annual Meeting in January and at previous Annual Meetings (the overwhelming number of municipal officials who set the policy serve communities that do not even participate in the MIIA health program). The MMA's policy process is driven by the members, and is totally separate from any program or service that the MMA offers or supports.

The bottom line is that there is nothing in any policy position of the MMA that would affect, promote or advance either the MMA or MIIA. There is no conflict. The matter is being raised as a red herring to distract attention away from the real issues.

The MMA's policy positions are established by local officials from all member communities across the Commonwealth, culminating in a set of policy statements adopted by the general membership that guide MMA's advocacy work. MMA members set a general municipal policy, and from time-to-time adopt resolutions on specific issues such as local aid, Chapter 90, municipal health insurance reform, unfunded mandates, and other issues.

The MMA position supports plan design reform authority for all cities and towns, and the organization fully supports giving cities and towns the option and power to join the state Group Insurance Commission without collective bargaining. The MMA's position is that cities and towns should have as many options and choices as possible, including joining the GIC if they so desire.

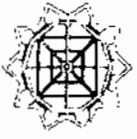
This policy reflects the position of municipal leaders from throughout Massachusetts, as set by the members as part of the policy process. Local officials from across the state are calling for reform, and asking for the tools and authority they need to reduce health insurance costs, all for the purpose of protecting local taxpayers, preserving essential services and preventing the loss of more municipal employees who are being cut from municipal budgets due to growing health costs.

Thank you again for your extraordinary leadership during the most difficult time for cities and towns in decades. Please contact me at any time if you have any questions on this, or any other matter.

With Warm Regards,

A handwritten signature in black ink, appearing to read "Geoff Beckwith".

Geoff Beckwith
Executive Director



MMA and MIIA: A History of Success for Cities and Towns

The Massachusetts Municipal Association

The Massachusetts Municipal Association (MMA) was established in 1979 as a statewide nonprofit, nonpartisan association to serve the needs of cities and towns, and improve the overall effectiveness of local government in the Commonwealth. The MMA is the voice of cities and towns before the Massachusetts Legislature, the administration, regulatory bodies and agencies. The association provides the elected and appointed officials of its member communities with a wide range of services, including advocacy, training, information, policy research, publications, innovative programs, and an annual meeting and trade show which is the largest gathering of local government officials in New England.

The MMA also administers five affiliate associations serving municipal officials. They are the Massachusetts Selectmen's Association, the Massachusetts Mayors' Association, the Massachusetts Municipal Councilors' Association, the Massachusetts Municipal Management Association, and the Association of Town Finance Committees.

The MMA is the only statewide organization that brings municipal officials together to establish unified municipal policies, to advocate for these policies, and to ensure the effective delivery of services to community residents. The MMA's policy positions are set and guided by the local officials of Massachusetts. Currently, 350 of the Commonwealth's 351 cities and towns are dues-paying members.

The organization also provides nationally recognized programs designed exclusively to save cities and towns money in several areas, including low-cost electricity, through its MunEnergy program, and innovative low-cost insurance and risk management services, through the Massachusetts Interlocal Insurance Association (MIIA). These initiatives have saved cities and towns millions of dollars over the years.

MMA Policy Positions Are Established by Member Cities and Towns

Beyond the borders of cities and towns, the MMA is mostly known for its advocacy work on behalf of local government. The MMA's policy positions are established by local officials from all member communities across the Commonwealth, culminating in a set of policy statements adopted by the general membership that guide MMA's advocacy work. MMA members set a general municipal policy, and from time-to-time adopt resolutions on specific issues such as local aid, Chapter 90, municipal health insurance reform, unfunded mandates, and other issues.

Recently, opponents of the MMA's position calling for municipal health insurance reform have suggested that the association has a conflict because of the MIIA program. The association has absolutely no conflict, and is concerned that this distortion is being raised as a red herring to distract attention from the real issue facing cities and towns: taxpayers cannot afford the current restrictions on local government that are forcing higher costs.

The MMA's municipal health insurance reform position was established by unanimous vote of hundreds of local officials at the organization's Annual Meeting in January and at previous Annual Meetings. The overwhelming number of municipal officials who set the policy serve communities that do not participate in the MIIA health program.

The MMA's policy process is driven by the members, and is totally separate from any program or service that the MMA offers or supports.

The MMA position supports plan design reform authority for all cities and towns, and the organization fully supports giving cities and towns the option and power to join the state Group Insurance Commission without collective bargaining. The members' position is that cities and towns should have as many options and choices as possible, including joining the GIC if they so desire.

The MMA's policy reflects the position of municipal leaders from throughout Massachusetts, as set by the members as part of the policy process. Local officials from across the state are calling for reform, and asking for the tools and authority they need to reduce health insurance costs, all for the purpose of protecting local taxpayers, preserving essential services and preventing the loss of more municipal employees who are being cut from municipal budgets due to growing health costs.

There is nothing in any policy position of the MMA that would affect, promote or advance either the MMA or MIIA. And that is not a factor in the Association's policy process, anyway.

A Long History of Serving Cities and Towns

This is a good opportunity to review the reasons why cities and towns asked the MMA to create the MIIA program nearly 30 years ago. Also, it is important to note that the MMA is not alone in the nation. At least 34 state municipal associations across the country have established similar programs as a service to their member municipalities, and the National League of Cities has a similar municipal insurance service program as well.

The Massachusetts Municipal Association formed the Massachusetts Interlocal Insurance Association in a time of crisis in the 1980s. The private insurance industry was abandoning the municipal insurance field, especially the workers' compensation and property and casualty market, driving insurance prices upward at an unaffordable rate.

The MMA responded to calls for action and assistance from communities across the state, and established MIIA, a nonprofit entity whose sole purpose is to provide comprehensive, low-cost, high-value insurance products and services to local governments.

MIIA's operating principle for all of its programs is that cities, towns and all public entities are good insurance risks, and that they can manage their claims given the proper tools and proper level of service. Flexibility, high-quality wellness programs, aggressive risk management, efficient claims administration, superior customer service, and a singular focus on local government have proven to be an extremely effective approach to public entity risk management.

MIIA's model is to create an interdependent pool of members in three separate areas; workers' compensation, property and casualty, and health benefits. This member-driven partnership provides unique motivation to create custom-designed, cost-effective products and services to best serve the needs of our members. Each of MIIA's programs are overseen and governed by

local government officials who are elected from the membership to serve in these capacities. Board members are not – and have never been – compensated for their volunteer services to lead MIIA.

Like the traditional barn raising, where neighbors gathered to help family or friends build a new barn or replace one damaged by fire or other causes, communities banded together to form MIIA. The program began with workers' compensation services in 1982, expanded to property and casualty services in 1984, and introduced its health program in 1992.

The results are clear. MIIA has saved member communities millions of dollars since its founding. Beyond that, MIIA's mere presence in the marketplace has helped even non-MIIA members realize savings by ensuring that all providers are being competitive. Today, 201 cities and towns participate in the MIIA Workers' Compensation Program, 222 cities and towns participate in the MIIA Property and Casualty Program, and 93 cities and towns participate in the MIIA Health Program.

All of MIIA's programs must be competitively priced, and members join the program only when MIIA is selected by the community as the lowest priced, best value offering following a competitive local RFP process.

There is nothing magic about MIIA's success. MIIA makes its members aware of information on the most frequent injuries in the workers compensation program and how those injuries come about. MIIA educates building managers and municipal decision-makers of the importance of making wise maintenance, personnel, and legal decisions. MIIA reviews aggregate medical claims data with managers to assist in designing wellness and disease management programs to mitigate the rising cost of health insurance. The information comes from experts who study such trends for the insurance industry as well as actual experience from Massachusetts municipalities. Members have discovered that investing in loss prevention and wellness both saves premiums and prevents costly and sometimes tragic losses, accidents, lawsuits, and illness.

We hold the fundamental belief that cities, towns and all public entities are good insurance risks, and that they can manage their claims given the proper tools and proper level of service. High-quality wellness programs, risk management, claims administration, superior customer service, and a singular focus on local government have proven to be an extremely effective approach to public entity risk management.

Each component of the MIIA programs, from underwriting and claims administration to investing the pools' assets is performed by acknowledged experts in their respective fields, under contract with MIIA. MIIA's own staff, who are MMA staff dedicated to MIIA, has remained small. Its function is to supervise the provision of services by third parties; to provide loss control and wellness services; and to make sure that all of MIIA's programs remain focused on serving municipalities. This model has kept MIIA's administrative and management costs at a fraction of the industry norm.

MIIA was formed as an organization committed to the principles of trust, integrity, service, partnership, and competence. MIIA is governed with a unique understanding of the needs and perspectives of local government. After more than 30 years the MIIA model is proven and sound, and has shown that these operating values are vitally important.

The MMA and MIA Operational Relationship

As noted, the MMA established MIA nearly 30 years ago. Since the inception of this service to cities and towns, the MMA has been the program administrator. The operation is highly professional and well organized to ensure maximum efficiency and economies of scale. The MMA is governed by a separate Board of Directors, and MIA has separate Boards of Directors for its programs. As noted, these members are all unpaid volunteer local officials. The MMA and MIA each adopt separate annual budgets, and maintain two separate accounting staffs to ensure that there is a clear financial wall between the two entities.

To operate the program, the MMA has an administrative services arrangement with MIA. Operational and overhead costs borne by the MMA are reimbursed by MIA and expenses are reconciled quarterly. These direct costs include rent, shared personnel and other expenses, which totaled \$707,435 in fiscal 2010 (\$262,198 for the property and casualty program and \$445,237 for the health program). MIA reimburses the MMA for institutional value and benefits of joint administration as well, and this totaled \$301,999 for the property and casualty program and \$648,801 for the health program during fiscal 2010. These numbers are reflected in the financial statements that follow this report.

The administrative expenses for MIA are among the lowest in the country for operating such a program.

Remarkable Savings For Cities and Towns

In fiscal 2010 alone, the MIA program offered workers' compensation premiums far below the state's published rates, returned \$15,613,040 to property and casualty and workers' compensation members in the form of participation credits, underwriting credits and dividends, and the health program provided a \$6,693,387 rate subsidy to its participating communities. In one year alone, the program returned or saved cities and towns \$22,306,427.

FINANCIAL STATEMENTS

Fiscal Year Ending June 30, 2010

MIIA Property and Casualty

Revenues	
Net earned premiums	\$55,144,529
Investment income and other income, net	<u>15,241,423</u>
	70,385,952
Expenses	
Loss and loss adjustment expenses	44,810,053
Other underwriting expenses	
Direct administration - MIIA	5,434,437
Reimbursements to MMA	
Direct costs	262,198
Institutional value & benefit	<u>301,999</u>
of joint administration	
	50,808,687
Excess of expenses over revenues	19,577,265
Member surplus, beginning of year	89,160,886
Participation, underwriting & other credits	(15,113,040)
Dividends	<u>(500,000)</u>
Member surplus, end of year	93,125,111

MIIA Health Benefits Program

Revenues	
Net earned premiums	\$309,850,099
Investment income, net	<u>3,333,487</u>
	313,183,586
Expenses	
Loss and loss adjustment expenses	315,251,114
Other underwriting expenses	
Direct administration - MIIA	3,531,821
Reimbursements to MMA	
Direct costs	445,237
Institutional value & benefit	<u>648,801</u>
of joint administration	
	319,876,973
Excess of expenses over revenues	(6,693,387)
Member surplus, beginning of year	<u>89,526,382</u>
Balance, end of year	82,832,995

FINANCIAL STATEMENTS

Fiscal Year Ending June 30, 2010

Massachusetts Municipal Association

Revenues

Dues	\$1,169,766
Annual meetings and conferences	583,628
MunEnergy program	228,000
Publications	177,299
Reimbursements - MIIA P&C/WC	
Direct administrative costs	262,198
Inst. value & benefit of joint admin.	301,999
Reimbursements - MIIA Health	
Direct administrative costs	445,237
Inst. value & benefit of joint admin.	648,801
Available net assets used in operations	126,041
Other income	115,232
Interest income	7,969
	<u>4,066,170</u>

Expenses

Personnel	1,962,240*
Rent	539,605*
Meetings, conferences & travel	448,438
Printing	149,111
Depreciation/amortization	63,644
Legal expenses	60,481
Postage	44,087
Other operating costs	467,852*
	<u>3,735,458</u>

Fund balance, beginning of year	3,706,741
Change in net assets	204,671
Fund balance, end of year	<u>3,911,412</u>

*Includes direct cost reimbursements from MIIA of 246,195 for personnel, 334,017 for rent (based on square feet), and 127,223 in other operating costs, accounting for a total of 707,435 or 18.9% of overall expenses.

