MEMBER SPOTLIGHT

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COMMON MISCONCEPTIONS OF RISK MANAGEMENT POOLS - LARM

NLC-RISC members regularly need to communicate the value of municipal risk pools to existing and potential members. Here is an example of one such effective communication written a couple of years ago by Diane Becker, Communications/Marketing Director for Nebraska's LARM (League Association of Risk Management). Diane explains, "It seemed our competition was only too eager to allow these misconceptions to proliferate, so we came up with this list of common misconceptions about public entity pools. We **link** to the list on the homepage of our website, and we have printed copies available at promotional booths and when people have questions about LARM. It is a great communication tool that allows questions about LARM to be answered correctly." Read the complete resource below.

Common Misconceptions of Risk Management Pools

Risk management pools are not rare. In fact, across the country, **it's more the rule than the exception that public entities utilize a pool for coverages and risk management services.**

The League Association of Risk Management (LARM) was established in 1995 and currently provides risk management coverages and services to over 190 Nebraska cities, villages, and other governmental agencies.

As a local, long-term, stable, cost-effective risk management solution, **there are still some misconceptions about LARM.**

One is that a large claim would bankrupt LARM. This is false. **LARM manages its exposure by purchasing reinsurance**. Each reinsurance policy or contract that LARM purchases has a set retention, like a deductible. In the event of a large claim (like multiple tornadoes across the state in one day) LARM would pay the retention amount (deductible) and the reinsurance carrier pays the rest.

Another misconception is that the LARM's Board of Directors can deny claims. This is false as **LARM's coverage documents clearly state the coverages provided and the Board of Directors, under the Interlocal Agreement, has a duty to ensure that all covered claims are paid promptly**. (IA 8.14) Claims are paid in accordance with the coverages provided in the coverage document language. If a claim determination is disputed, the Interlocal Agreement provides an opportunity for appeal and review by the Board of Directors.

Some people have stated that "LARM isn't a ‘real’ insurance company." **LARM is an insurance pool created under the State of Nebraska’s Intergovernmental Risk Management Act and by an Interlocal Agreement between the members**. LARM purchases standard insurance from insurance companies to cover most of its exposure. The Nebraska Department of Insurance also regulates and oversees the operation of risk management pools in Nebraska.

Another misconception about LARM is that "You can't get out once you're in." This is false. **A LARM member may terminate membership at the end of the given fiscal year by providing proper notice**. LARM members can make a commitment to LARM of more than one year. They are rewarded for this commitment by a substantial savings in their contribution to LARM through a discount program. In these cases, the member may not terminate membership until their contract commitment is fulfilled.

LARM has been providing coverages and risk management services to Nebraska cities, villages, and other governmental agencies for over 30 years. LARM members have come to rely on LARM for top-notch coverages, competitive pricing, outstanding customer service, efficient claims service and loss control assistance.

For more information about becoming a LARM member, go to **www.larmpool.org**.