

INTELLIGENCE

ASSOCIATION OF GOVERNMENTAL RISK POOLS

MEASURES THAT MATTER: The Importance of Understanding, Measuring and Sharing Your Pool's Value

*By Peter Hunt and Ann Gergen
for AGRiP's 2023 Residency*

If you've been in public entity pooling for more than a year or two, you have likely heard the important story of how it all started. A public sector liability coverage crisis in the 1970s and 1980s led local public entities to come together and do for themselves what the insurance industry would not.

This story gets retold in every pool and it is critically important for all of us. We cannot forget the circumstances that created a need for pooling or the motivations that launched our organizations and still guide us today.

The value of our public sector focus and commitment as an extension of (and governed by) our members may be foundational, but it's not an easy one to share with someone who hasn't experienced the power of pooling for themselves. It's difficult to summarize the value of decades invested by your pool to develop uniquely structured coverage, facilitate effective resolution of losses experienced by your members, teach new risk management practices, build financial strength to maintain predictable pricing, and innovate to support public service delivery.

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Find out more about Measures That Matter and how it can help your pool at: www.agrip.org/measurthatmatter

Your pool delivers far greater value today than it delivered at its start, so it's time to expand how you quantify and convey that value.

Not only is it difficult to find the right language to share these values, but it can also be a challenge to prove them — even internally. Your pool has made a difference for the public entities you serve, but how do you measure it? Ideally you have metrics that demonstrate just how valuable your coverages and services are, and they are embedded within every aspect of your pool's governance and operational oversight.

Effectively measuring and communicating your pool's value to its members requires an approach that stretches beyond your important origin story. Your pool delivers far greater value today than it delivered at its start, so it's time to expand how you quantify and convey that value.

In other words, it is important for your pool to define its core values, measure how it delivers on those values, and communicate both values and metrics effectively. **Measures That Matter** provides guidance for pools to do this work.

The Six Core Values of Pooling and How to Measure Them

AGRiP's 2023 Residency brings forward research-backed support for six core values that are endemic to pooling. The values have been tested across cooperatives and mutuals with member focus similar to that of pools, across many industries, different regulatory environments, and several continents. Even more importantly, the values have been reviewed and are supported by a group of pools working together with AGRiP and our residency team, to be sure they reflect pooling and can be reasonably measured.



Commerciality

There is real financial value to working with a pool, in particular because of predictable pricing from one year to the next, which is so critical to local public entities. Although pools would never point to this value as singular and may call it by different names, commerciality (or "economic value" if you prefer) is important. In simple terms, you can think of this as the contribution a member entity pays in return for coverages and services the pool provides.

Measures to consider:

- Net position returns generated by your pool for members, whether in the form of dividends or contribution credits
- Your efficient use of net position to maximize investment returns, which offset member contributions
- The average amount of profit to shareholders commercial insurers generate, that your pool does not



Shaping Markets

The value pools have in shaping markets is often underappreciated. To meet the unique risks of public entity operations, **pools innovate coverage that the commercial market does not.** And the very presence of a pool influences market pricing, providing public entities with an important benchmark against which to measure options (although it's hard to find alternatives that can match a pool's coverage and service for the price).

Measures to consider:

- Coverage the pool has innovated for members
- Pricing quotes generated by competitors for public entities
- The imputed market for public entity coverage and cost, absent the pool's presence



Member Relationships

The nature of the relationship between a pool and its members is an obvious value to those who work within this symbiotic exchange. Most pools view their organizational priority as **supporting public entities to deliver critical infrastructure and services**. Offering coverage, managing claims, and delivering risk management advice and training are merely methods by which pools deliver on that broader purpose.

Measures to consider:

- Your pool's member retention and average membership longevity
- Your members' participation in pool governance, such as seeking or holding positions on the pool's governing body and committees
- The frequency of your members contacting the pool for advice and consultation



Community Relationships

A significant area of value that is often understated by pools is the benefit they bring to broader community relationships. **By working as an extension of the public entities they serve and guiding local decision-makers toward balanced review of risk and reward, pools deliver important value to every community and every taxpayer.**

This value is even evident in something as seemingly transactional as a claim payment. A commercial insurance company measures a claim by the financial liability it wants to avoid. A pool measures a claim by the investment it will make into bettering the public services provided by its members.

Measures to consider:

- Grants given by your pool for safety upgrades at member entity facilities or to prevent injuries
- Claims you've paid to repair or rebuild community-use properties damaged in a weather event
- Medical costs your pool paid on behalf of public entity employees, whether through workers' compensation or employee health benefits



Public Sector Ecosystem

AGRIIP describes the pooling community as highly collaborative and there's evidence of this in every good idea shared between pools. This is an example of the value pools create through participation in a public sector ecosystem.

In addition to this pool-to-pool sharing, **pools create an environment in which their local public entity members can share best practices and work together to improve the services they provide.**

Measures to consider:

- The number of workgroup or member advisory committee meetings held by your pool and how many members attend
- Participation by members at your pool's safety training meetings, or in your online training programs
- How widely your members use model policies promoted or published by the pool



Ethics and Mindset

Pooling ethics and mindset is an important value and behavioral norm. While commercial insurers and the private sector might focus on meeting ESG goals and virtue signaling, we simply point to our "pooling culture."

Pooling culture is about service outcomes and relationships, not profit. It's about transparency and equitable allocation of costs and benefits. It's about stability and predictability.

Measures to consider:

- The degree to which your pool uses experience modifications in underwriting
- The amount of contribution stabilization you provide for member entities in a difficult renewal year
- The frequency and nature of governance self-evaluations performed by your pool's governing body

Sharing key data points that come directly from the six values of pooling is efficient and effective, and can pave the way for stories that build alignment.

Why Value-Linked Measures Are So Impactful

As pools experience turnover among member contacts, they face a challenge to quickly introduce new stakeholders to the value of pooling.

Newer decision-makers in your member entities may not have directly experienced when the pool has covered a novel claim, brought remediation resources to the table, or negotiated to reduce long-term costs with real impact at the member level. Using examples like these to tell stories about your pool’s values creates a strong emotional connection between the pool and its members.

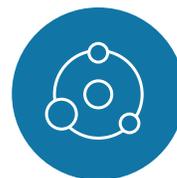
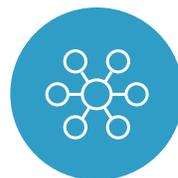
But storytelling takes time you don’t always have and the examples you use in stories may not fully explore complex information. Sharing key data points that come directly from the six values of pooling is efficient and effective, and can pave the way for stories that build alignment.

New member contacts have another impact on your pool, in terms of changes to the people selected to be on your governing body. Giving your board or executive committee a set of metrics about the progress being made toward your pool’s strategic plan (which is designed to support your values) promotes shared understanding of goals. Measures help a board ask meaningful questions and set appropriate priorities for the pool.

Effective financial measures that are linked to pool values are particularly important for a governing body. Most pools produce robust financial reports, but it can be difficult for even an experienced board member to interpret how membership growth (which seems like a good thing) could negatively impact the pool’s net position relative to its target (which seems less than ideal). Your pool’s financial measures should ideally connect to all core pool values, to bolster understanding about how interrelated pooling influences can be.

Finally, you need value-driven measures to keep your pool team (many of whom are also new) connected and working effectively in the right direction. Your pooling mission is critical for your members, so the pool team has to know exactly the value they provide in every interaction and just how well the pool meets member expectations.

In pooling, it’s important to quantify the value we deliver our local public entity members and the communities they serve. And it’s critical to talk about the work we do in a way that’s meaningful to our members, our teams and our governing bodies.



How To Use Measures That Matter

It's natural to think about these values in terms of how you might communicate them to your members, but don't mistake the 2023 Residency as a marketing effort or a list of buzz words to use in your annual report. (You probably won't use a word like "commerciality" to explain what your pool offers to members.)

Measures That Matter starts with these six tested and validated values. Residency resources and expert guidance will build on these values and provide a framework any pool can use to better deliver, measure and communicate its values.

Your pool can use the framework and associated residency resources to:

- Introduce new governing body members to what sets your pool apart
- Connect your strategic plan to your values and assign the metrics most meaningful to measure progress
- Create governing body meeting agendas to measure important decisions against your values
- Create meaningful financial and operational benchmarks for your pool
- Demonstrate to reinsurers your pool's commitment to financial, membership and leadership stability, and document the impact of your efforts
- Communicate your pool's efforts in a way consistent with what your members value most, and share data based proof points to support your statements
- Identify metrics that measure true engagement by your members, not just participation
- Orient, develop and lead your staffing teams based upon a shared understanding of values
- Inform other pool stakeholders, legislative bodies, regulators and the media

In other words, the framework will naturally become the hub to connect multiple pool efforts and provide structure for measures that track progress over time and across all your activities.

Find out more about Measures That Matter and how it can help your pool at: www.agrip.org/measurthatmatter



Don't mistake Measures That Matter as a marketing effort or a list of buzz words. With time and consistent application, the framework will naturally become a hub to connect your pool's values, efforts and measures.

About AGRiP Residencies

Each year, AGRiP selects an area of focus that will help pools perform better for their members. We work with subject matter experts to adapt their unique knowledge for pooling and deliver resources that build throughout the year, often culminating in a comprehensive guide or toolkit for pool use. You can access materials from our prior residencies at any time at www.agrip.org/intelligence.

About the Measures That Matter Framework

A team of researchers from Monash Business School in Australia worked with the Business Council of Co-operatives and Mutuals (BCCM), the Australian industry association for mutuals, to develop a performance measurement framework that would work across different types of mutually owned membership organizations in a range of industry sectors.

They sought to capture the specific value mutual membership organizations create through their purpose-led business activities, but that is often not measured or reported on.

BCCM's project led to development of the Mutual Value Measurement Framework® (MVM), which enables a mutual to assess, measure, and report the value resulting from its member-driven purpose and activities. AGRiP and BCCM have entered into a specific licensure agreement for adaptation of the MVM to be utilized by AGRiP as Measures That Matter.



As an AGRiP member, **when you engage with Measures That Matter, you gain access to a proprietary, research-backed framework that's already helped many member cooperatives across the world** understand, measure and successfully communicate their value.

If your pool actively engages in the residency, you can have a customized framework in place by the end of the year, with preliminary pool-specific metrics identified and, in some cases, underway. More information will be distributed by direct email and in eNews, at our conferences, on our website, through LinkedIn and Twitter. And at any time if you want to learn more about Measures That Matter or how to access additional resources, [let us know](#).

About the Authors



PETER HUNT founded Mutuo in 2001 as the first cross mutual sector body to promote cooperative and mutual business to opinion formers and decision makers.

He is co-founder of Supporters Direct, the football supporters' initiative, which went on to establish over 100 supporters' trusts at professional football clubs. He led the Parliamentary teams which piloted five private members bills through the UK Parliament, working with all parties to update co-operative and mutual law.



ANN GERGEN oversees operations, governance functions and member service delivery for the Association of Governmental Risk Pools. Ann routinely communicates and collaborates with the more than 200 pools that participate in AGRiP and their service providers. Ann has more than 30 years of direct public sector experience in local government management, emergency services, risk management, primary and reinsurance claims, and pooled insurance services. She is a recognized resource in strategic management and operations of public entity pools.