



# Intelligence

An AGRiP Publication

ASSOCIATION OF GOVERNMENTAL RISK POOLS

## Pooling trends happening now and on the horizon

By Tom Barnes  
AGRiP Board President;  
Brett Davis  
AGRiP Board Vice President;  
and Ann Gergen  
AGRiP Executive Director

**A**GRiP believes sharing ideas is the best way to help member organizations be more effective, collaborative, and informed.

That's why the AGRiP Board of Directors is excited to share some perspective from its recent strategic planning session. It's likely some of our ideas run parallel to those in your pool.

The AGRiP Board reviewed, brainstormed, and prioritized trends that could have notable impact on public entity pooling. Our work included trends in three main areas: public entity pooling and insurance, associations, and the overall current social environment.

When we look at pooling issues through the lens of AGRiP, we're thinking about association implications – how many pools might be impacted, to what degree, and whether there's enough commonality to suggest collective action. Although a trend might impact pools and AGRiP differently, we suspect there will be shared interest among all members.

### Trends happening now

The AGRiP Board identified four trends it believes are happening right now and likely to have significant impact throughout public entity pooling within the next two to five years.



**There will be significant demographic shifts and an overall talent drain from public entity pooling.**



It's just a matter of time before public entity pooling feels the full impact of these changes. We think two things are particularly important for pools:

- Managing demographic shifts by cultivating an environment that blends many perspectives and inputs.
- Managing the talent drain by evolving to perform the same functions with fewer talent resources.

The demographic shift is also impacting the insurance industry, which in many cases complements public entity risk pooling. The impact of demographic changes will magnify as we lose direct pooling talent, trusted resources within our reinsurance and excess insurance partners, and team members assigned through third-party contracts.

Amid limited resources, the broader insurance market may also compete with pools for new talent.

Demographic shifts will also impact the public entities that participate in pools, influencing member relationships and public entity risk profiles. In short, demographic changes will influence every aspect of pooling operations.

As the AGRiP Board talked about this trend, it identified a lack of data specific to our public entity pooling industry. How quickly are people really going to retire? Who are the newcomers and what do they want? When are those next generations likely to show up on our doorsteps? When do they become the dominant force within pooling?

Knowing answers to these questions at a pool level, and within AGRiP more generally, is important to quantify the magnitude of anticipated demographic changes and related implications.

And, now is the time for public entity risk pools to actively build a talent pipeline.



### **Data will drive decisions.**

Pick up any insurance industry publication and you'll probably see an article about data analytics and data-driven decisions. In public entity pooling, we can identify the influence of data analytics on risk modeling, exposure analysis and pricing, member relationship management, claims management, and more.

One challenge is to understand and manage the technology resources available for meaningful data collection and analysis. The technology options and opportunities can feel daunting.

Another challenge is to cultivate data resources that maintain core values of risk pooling for public entities. In our environment, data analysis might be best used to improve the risk performance of core public services – not segment the market based upon profit measures.

### **How AGRiP will meet its mission**

In 2017, AGRiP and member pools worked together to consider and define the “value of why” in pooling. As the AGRiP Board of Directors evaluated pooling trends and now begins to plan goals and objectives for 2019, it is staying true to AGRiP's core mission.

#### **Why does AGRiP exist?**

We energize the power of pooling, making member organizations more effective, collaborative, and informed.

#### **How does AGRiP energize the power of pooling?**

We represent and connect all pooling organizations. We provide education, resources and best practices. We develop and share the best of each member.

AGRiP brings the brightest minds and ideas together to help us all make pooling successful.

#### **What will AGRiP work on to meet this mission?**

The Board's strategic planning work has been translated into goals and efforts that will begin in 2019. Some of this work has already started and much of it will require effort over several years. AGRiP will:

- Release financial benchmarks and comparisons specific to public entity pooling, to build greater understanding of our industry's unique financial metrics.
- Create greater opportunities for pool-to-pool collaboration through online discussion forums.
- Build the talent pipeline for public entity pooling, so pooling organizations can recruit the best possible next generation pool employees.
- Enhance resources to assure every pool operates with a fundamental understanding of best practices.
- Detail the next steps needed to produce online training for public entity pooling operations through a Pooling Academy.

The AGRiP Board sees data analytics technology and values as opportunity for greater collaboration within public entity pooling. In a community like ours that shares purpose and mission, we can consolidate and share information in ways that will improve risk decisions and services.



### Public perceptions about local government and schools will further erode.

This trend is a perfect example of the “[5 Whys](#)” approach to root cause analysis. The Board’s discussion about public perception sparked from another identified trend: tort caps being reconsidered by state legislatures.

- Why? Because high profile cases with bad facts illustrate how compensation for injured parties seems insufficient.
- Why? Because governmental entities are wrongly perceived as having deep pockets. There is sometimes a sense that public entities are just trying to avoid paying their fair share.
- Why? Because people don’t trust “government.”

AGRiP believes issues like tort cap and statutory immunity challenges come from deeper root causes that are difficult to describe or quantify. In addition to legal and legislative challenges, there are probably also subtle but identifiable changes in settlement patterns that similarly result from shifting public perceptions.

It is important to take a long-range look at the influences that might evolve from public sentiment about local public entities. Although this trend may be notable in the short-term, a core value proposition for public entity pooling is to understand and support the totality of local government and school operations over time.



### There will be continued uncertainty around health coverage.

If there are two questions AGRiP can count on being

asked in any given month, it’s these:

- Should we offer a health benefits pool alongside our other lines of coverage?
- Should we reevaluate the need for our existing health benefits pool?

Instability in market, regulatory requirements, and public policy related to health insurance cause existing health pools to continually evaluate sustainability. Likewise, health insurance market instability causes public entities to look for alternative resources through formation of new health pools.

Regardless of federal policies, preferences, or regulation, health pool operations vary from one state to the next. Provider and network availability, the private health insurance market, collective bargaining influence, and other factors can heavily influence the need for public entity health pools. Local variation makes it more difficult – but also much more important – to share ideas and best practices across our public entity pooling community.

AGRiP doesn’t anticipate clarity within the health insurance space anytime soon. This means health pools will continue meeting member needs, but may struggle with defining a clear vision for the future.

### Trends on the horizon

The AGRiP Board of Directors also identified trends it believes are likely to have significant impact on public entity pooling further into the future. These trends may have already started, but we interpret the tipping point of impact to be five or more years away.



### Transportation ecosystems will be re-structured.

Transit pools and pools covering large fleet operations have already been working to understand the impact of technology like collision avoidance, drive cameras, telematics, driver assist, and fully automated vehicles.

But the rest of the pooling industry might be saying, “So what?”

Technology is going to disrupt our transportation system in its entirety. Impacts will extend to railways, shipping, and airlines. The network of highways and roadways, and traffic management systems, will change. Public and private transportation infrastructures will be reconfigured.

The changes are going to require a blend of complex transportation systems with complex technology, which will mean changing fleet and technology management. Public sector operations – and public sector revenue sources – will undergo substantial adjustments.

The insurance industry expects dramatic changes in auto and cyber liability risks, as well as products liability and other coverages.

Transportation ecosystem changes won't take place

overnight. But we believe they're coming.



**Worldwide population changes will reflect an increase in minorities and total population, but a decrease in working age adults.**

AGRiP identified worldwide population change as impactful beyond the shorter-term demographic shifts and talent drain. Increasing minorities and total population alongside a decrease in the number of people working presents a fundamental shift in human perspective – sort of like the first crossings of oceans.

The AGRiP Board asked some pretty big questions during their discussions about this trend, like, “What’s the future of local governance?” and, “How long will it take to find equilibrium among new levels of population diversity?” Although we can't articulate with specificity the likely outcomes of this trend, we think the impacts will be enormous for pooling and beyond.

## A note about the process used by AGRiP to identify and prioritize trends

We have several attorneys on the AGRiP Board, so we of course want to offer a few disclaimers and explanations about our process.

- To prepare for our Board work, we identified and validated pooling, association, and social trends. It's likely we missed a few important trends along the way.
- Our process of identifying trends was biased. We were looking for trends likely to have some degree of impact on public entity risk pools. Even though we tried to think broadly, we're pooling professionals and tend to look at issues with somewhat limited perspective.
- The Board prepared in advance and took time to consider trends before prioritization exercises or conversation. Still, our sorting and prioritizing

work was influenced by our own human nature.

- Our work was AGRiP focused, not on trends with the largest impacts for pools. We think there's a reasonable degree of overlap, but in some cases the issues might differ.
- We didn't consider how trends might be influenced based upon unique circumstances of member pools in Canada and Australia. Health coverage uncertainty, for example, is an issue primarily for pools in the United States.

To sum it up, we'd evaluate our work as somewhat biased but not entirely unreasonable.

AGRiP has produced a number of pool resources about trend forecasting. If you're doing planning work in your pool, be sure to review these [foresight resources](#).

## How pools can use trends identified by AGRiP

Most pools do an annual strategic planning or goal setting exercise. The AGRiP Board encourages your pool to think about these trends alongside any others you identify as meaningful.

You might rate each item on a scale of 1 to 5, with 1 being “This will have little impact on our pool” and 5 being “This will have big impact on our pool.” Consider how your pool will respond to trends that average an impact rating of 4 or 5. Discuss trends that have wide

disparity in how impactful they are perceived.

If you disagree with a trend, or if you have a different impression about how it might impact your pool, that’s okay. We simply hope AGRiP’s perspective will help your pool start a robust and thoughtful conversation.

What AGRiP does in reaction to these trends is most heavily influenced by the priorities our members identify. We’d welcome your input or suggestions, and your reactions to our list of trends. If you have thoughts to offer, please send them to AGRiP Executive Director [Ann Gergen](#).

## About the Authors

This *Intelligence* publication includes a summary of work by the AGRiP Board of Directors: President Tom Barnes, Vice President Brett Davis, Geoffrey Beauchamp, Esq., Steve Craig, Gina Dean, Kirk Mylander, Barbara Rhoades, Jon Shull, and Jerry Spears.



**T**om Barnes is in his second term on the AGRiP Board of Directors. He has served as

Board President since Jan. 1, 2016.

Tom is the Chief Executive Officer and General Counsel for [Municipal Insurance Association of British Columbia \(MIABC\)](#).

He also serves on the Board of Directors of the Canadian Association of Insurance Reciprocal.



**B**rett Davis became AGRiP Board Vice President Jan. 1, 2016, and is now in his second term.

Brett is the Chief Executive Officer of [Park District Risk Management Agency \(PDRMA\)](#) in Illinois. Prior to that, he held several positions at PDRMA, including claims representative, loss control technician and risk managements services manager.



**A**nn 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 with the service providers who help pools sustain their operations.

Ann has 25 years of direct public sector employment and experience in local government management, emergency services, risk management, primary and reinsurance claims, pooled insurance services and operations.

**The Association of Governmental Risk Pools (AGRiP)** energizes the power of pooling, making member organizations more effective, collaborative, and informed. AGRiP represents and connects all pooling organizations while providing education and resources to its members. AGRiP brings the brightest minds and ideas together to help make pooling successful.