

Municipal Risk Pooling: A Relationship, Not a Transaction

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Traditional insurance tends to be transactional: Insurers offer coverage for risk and you (an individual or entity) purchase it. You hope you'll never have to file a claim. If you do, you expect it'll be covered, and you wait for resolution. But the relationship doesn't go much further.

Municipal risk pools like PACIF and VERB are fundamentally different. They're extensions of the public entities they serve – in fact, pools *exist to enable member public entity operations*. As a result, there's an ongoing relationship between pools and their members that is unique and not at all like traditional insurance.

The difference in the relationship is similar to the difference between eating a meal at a restaurant and eating a meal you've prepared during a cooking class. Either way, you pay money in exchange for food and a night out. But the expectations you have based upon those two purchase options and what you will take away from each experience are entirely different.

When public entities choose to be members of municipal risk pools, they aren't just making a menu selection and expecting to be served a meal in return. They're buying into a shared experience akin to participating in a cooking class: Pools share a recipe and expert instruction, but members are allowed to mix and match ingredients to suit their own tastes.

Cooking class participants (and pool members) practice alongside one another, all hoping to learn and improve. Sometimes, the recipe variations explored in class turn out better than the original, and the instructions are updated as a result. Over time and with feedback, the instructor may refine their teaching approach as well.

Ultimately, each cooking class is unique because the entire experience is very much a product of the whole and not merely a commodity transaction. **Every single interaction between a pool and its members is influenced by this “commons”* – not commodity – approach.**

- The pool understands municipal operations and determines appropriate coverage and risk management solutions.
- The pool supports local decisions about municipal priorities.
- The pool scans its broader environment for trends and influences that might impact local municipal needs and operations, sharing information to inform local public entities
- The pool identifies and shares great ideas among municipal members, helping to boost local public services on the whole.

If you haven't directly seen and felt the pooling environment, it's hard to understand how different its foundational assumptions are from those in traditional insurance relationships. But, as a member of a pool, you see and feel that difference in every interaction.

Ann Gergen, Executive Director

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* The idea of "governing the commons" is from Elinor Ostrom, who won the Nobel Prize in Economics in 2009. The premise is that local communities and associations (like members in a municipal risk pool) can be effective in sustainably and equitably self-governing their resources as long as certain principles are met. These principles include clear boundaries, the ability of those affected by rules to establish and modify them, the existence of shared responsibilities, and a system for monitoring behaviors with clear consequences for those who violate agreed-upon standards. [Learn more here.](#)