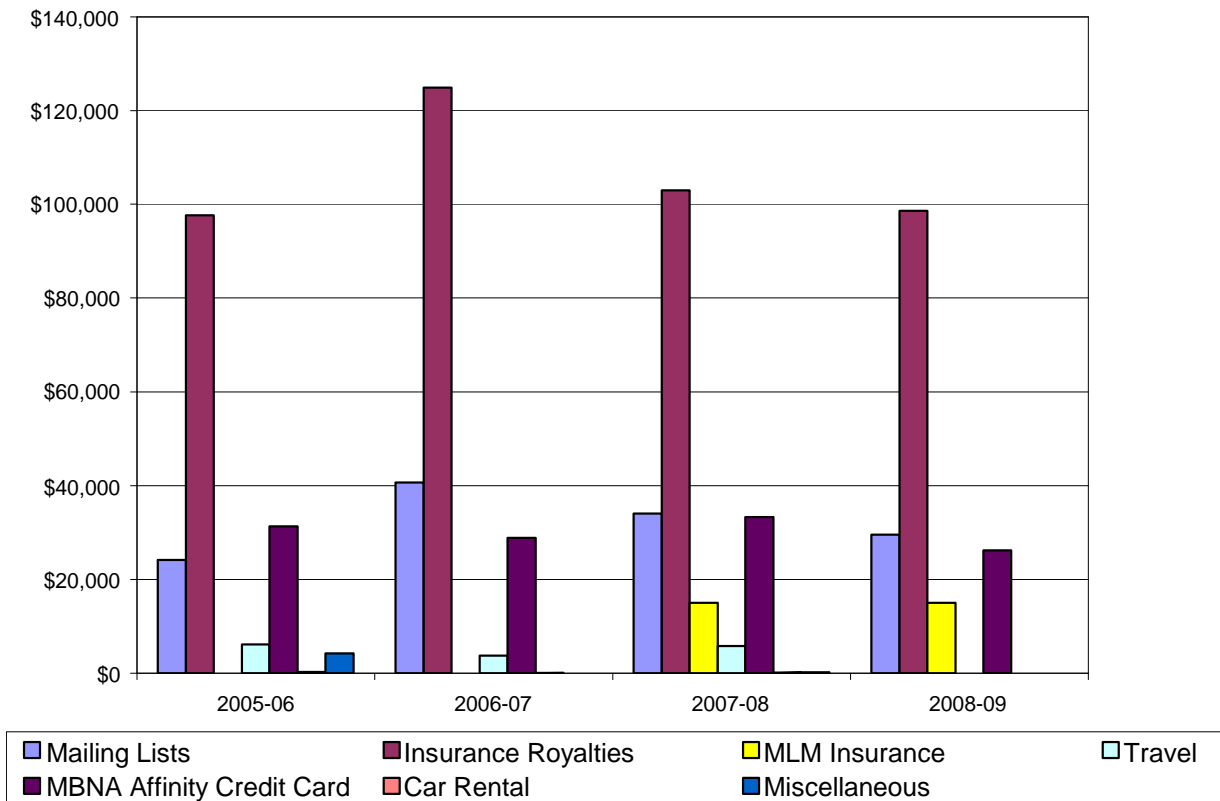


## MSB *ADVANTAGE*

**1. Description and Purpose** The *MSB Advantage* program is the umbrella designation for special products and services made available to MSBA members, their families and employees. The program delivers value to the MSBA by providing non-dues revenue and enhancing member retention.

**2. Historical Information** *MSB Advantage* programs have contributed over \$1.4 million to the MSBA over the past 12 years. Insurance, credit cards and the sale of membership lists account for over 90% of all *MSB Advantage* revenues with insurance programs providing the most royalty revenue, as evidenced by the following chart:

**MSB *Advantage* Royalty**



The number of participants in the credit card programs slowly declined until the 2008-09 fiscal year. In 2008-09 there was a significant decrease in the total number of accounts. This decrease is a result of Bank of America closing many inactive accounts. Although the total number of accounts decreased, the number of active accounts increased as a result of this action by Bank of America.

Credit Card Participation & Royalty

Program	2006-07	2007-08	2008-09	Change from prior year
<b>BOA Credit Card Total Accts</b>	1,364	1305	938	-28%
Active (1 trans/last 6 month)	768	714	880	23%
Percent Active	56%	55%	94%	39%
Royalty	\$28,892	35,305	26,223	-26%

The sale of membership lists has also decreased in recent years. When past mailing list customers recently were surveyed, 75% of respondents said that they did not order again because they only needed the list for a one-time special event. This suggests that our client base will vary significantly from year to year. In addition, 25% of respondents stated that the reason they did not order again was because the lists were too costly.

Membership Lists Royalty				
Membership List Sales	2007-2008	2008-2009	Projected 2009-10	Change from prior year
Mailing Lists Run	171	146	92	-37%
Unique companies	93	81	51	-37%
Royalty (fiscal)	\$34,021	\$29,571	\$17,000	-37%
Average Order	\$366	\$365	\$333	-8.7%

**3. Personnel:** There is .35 FTE position allocated to this program.

**4. Report on 2009-10 Performance Standards**

A. During each of the three years, grow overall revenue an average of 4% per year, with costs estimated to increase at a 2% rate.

*This standard was not met. From 2008-09 to projected 2009-10, overall Advantage revenues decreased by 8% from \$182,308 to \$167,719.*

Advantage Program Revenue Comparison

	Actual 2007-08	Actual 2008-09	Projected 2009-10	Percent Change	Year to date 2009-10*	Budget 2009-10	Proposed Budget 2010-11
Membership List	\$34,021	\$26,946	\$17,000	-37%	\$9,754.00	\$33,100	\$26,250
Insurance Royalties	\$102,964	\$114,139	\$111,200	-3%	\$43,910.00	\$111,221	\$111,200
MLM Insurance	\$15,000	\$15,000	\$15,000	0%	\$15,000.00	\$15,000	\$15,000
ABA Publishing	\$0	\$0	\$1,832	0%	\$1,832.00	\$0	\$1,800
Travel Programs	\$5,790	\$0	\$2,487		\$2,487.00	\$500	\$4,000
MBNA Affinity Credit Card	\$35,305	\$26,223	\$20,200	-23%	\$9,764.00	\$30,000	\$2,800
AVIS Car rental	\$146	\$0	\$0		-	\$228	\$0
Misc. (Affiniscape 2010-11)	\$221	\$0	\$0		-	\$0	\$1,180
<b>Total Revenues</b>	<b>\$193,447</b>	<b>\$182,308</b>	<b>\$167,719</b>	<b>-8.0%</b>	<b>\$82,747.00</b>	<b>\$190,049</b>	<b>\$186,430</b>

B. Increase the number of participants in the programs by 4% each year.

*This standard was not met. In all programs the number of participants declined as demonstrated in the program participation chart on page 5.*

C. New Business Goals:

Offer two new programs, including one new revenue-producing program.

*This standard was met. Affiniscap was introduced and is a revenue generating program. Affiniscap Merchant Solutions is a law firm merchant account offered exclusively through state and local bar associations. It is a custom designed payment system that allows attorneys to accept credit card payments from their clients. The program offers not only reduced fees for association members, but also provides a system for processing transactions. It resolves the ethical issues of credit acceptance by safeguarding and separating client funds into their trust and operating accounts.*

*AAA was also introduced. MSBA members receive a discount of 10% off base membership fees. In addition the enrollment fee is waived for first time AAA members. Other discounts are provided based on type of package, for instance package upgrades, adding a spouse or dependent, etc. MSBA members who are already AAA members are also eligible for discounts on their renewal fees. In addition to roadside assistance and car rental discounts, AAA members receive discounts at hundreds of other businesses, including hotels, Target, Barnes and Noble, and also Minnesota Twins tickets. This is not a revenue share program.*

**5. 2010-11 Performance Standards**

The standards are the same as the Three-Year Plan.

**6. Three-Year Plan Performance Standards**

During each year of the three-year plan, the performance standards will include:

- A. Stop the decrease in revenue and at minimum stabilize at current levels.
- B. Stop overall decrease and stabilize the number of participants in each program and.
- C. New business goals

2009-10: Offer two new programs, including one new revenue producing program.  
 2010-11: Survey members to determine what types of new programs they would value. Based on survey results, identify and evaluate potential new programs.  
 2011-12: Offer two new programs that respond to survey results, including one revenue-producing program,

**7. Report on 2009-10 User Satisfaction**

Insurance Programs

The Insurance for Members Committee (IFMC) surveyed the membership in 2008-09 to identify member needs. As part of this survey, customer satisfaction information was gathered for current programs and used for this report on user satisfaction. Members were asked what insurance products they owned or would be interested in owning, their overall satisfaction with their MSBA endorsed product, and what factors were important to them in making the decision to purchase various products. Overall, respondents are satisfied with the MSBA endorsed insurance products, as evidenced by the following chart. A survey will be conducted again in 2010.

<b>Insurance Participant Satisfaction</b>	
<b>Program</b>	<b>2008-09 Percentage of Satisfied Users</b>
Auto/Home Insurance	100%
Blue Cross Medical (small employee/employer group)	86%
Blue Cross Medical (individual & family)	66%
Dental	78%

Insurance Participant Satisfaction	
Program	2008-09 Percentage of Satisfied Users
Disability	93%
Life (level term)	100%
Long-term care	100%
Professional Office Package (property damage and general liability)	100%
Profession Liability (malpractice insurance)	100%

### Credit Card Program

In 2008-09 there was a significant decrease in the total number of accounts which is reflected by a decrease in royalty. This decrease is a result of Bank of America closing many inactive accounts. Although the total number of accounts decreased, the number of active accounts increased as a result of this action by Bank of America. This would seem to indicate a decline in user satisfaction, However, the company liaison reports that new accounts are down nationwide and that MSBA members are continuing to use their cards at a higher than average rate compared with other similar groups.

### Membership List Sales

Two surveys were conducted of past and current mailing list customers in December 2009. Current customers were asked about satisfaction and things we can do to improve the program. 83.4% of current customers were satisfied or very satisfied with the program. The remaining 16.6% were neutral. When asked what factors would improve the program 83.8% chose the ability to order online. 58% chose the ability to use the lists more than once.

Past customers were asked about their reasons for not ordering this year and what could the MSBA do so that they would consider ordering lists in the future. Seventy-five percent (75%) of past customers indicated that needing the list for a one-time event was the reason they did not order again and 25% indicated that the lists were too costly. When asked what factors would make them order again, 100% chose the ability to order online and 50% chose cheaper price.

## **8. 2010-11 User Satisfaction**

Insurance Programs: The MSB*Advantage* program will measure customer satisfaction by using information gathered from a survey conducted by the IFMC in late fall 2010.

Credit Cards: The MSB*Advantage* program will measure user satisfaction by conducting a survey of users in late fall 2010.

Membership List Sales: The MSB*Advantage* program will conduct a survey of current and former list purchasers in late summer 2010 to determine satisfaction and the reasons for the decline in sales.

## **9. Market Penetration**

The following information on market penetration is provided as an indicator of true market penetration, since a member can purchase more than one product AND because the products can be purchased by MSBA members, their families and/or their staff. Therefore, while a majority of the purchasers are actual MSBA members, the numbers in the following chart may also include non-MSBA members.

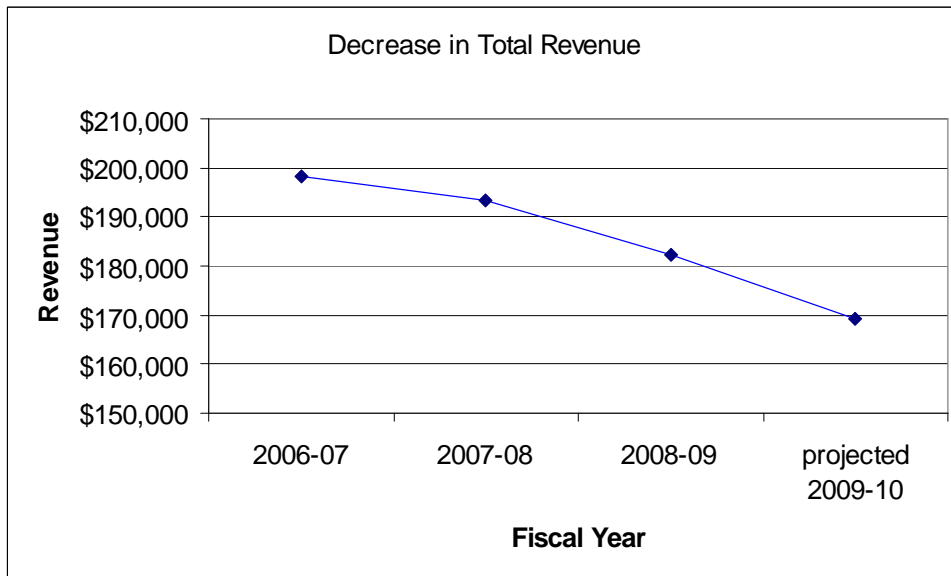
Finally, no penetration rates are included for membership list sales, as they are typically sold to commercial entities.

**MSBAdvantage Program Participation**

<b>Program Penetration Rates</b>	<b>2005 - 06</b>	<b>2006 - 07</b>	<b>2007-08</b>	<b>2008-09</b>
Number of Members	15,400	16,100	16741	16862
<b>Insurance Programs</b>				
Group Term Life	875	873	856	822
Level Term Life	2	2	20	28
Disability Income	116	115	114	118
Business Office Overhead	2	2	0	0
Long-term care	9	3	6	6
Auto/Home	149	235	298	316
Business Owners/Workers' Comp	21	16	19	19
Medical - Individual/families	190	124	118	117
Medical Employer/ee/group	18	17	15	15
MSBA New Group Medical	238	225	186	179
Employment Practices Liability	1	1	1	1
Dental	30	55	88	86
<b>TOTAL Certificates</b>	<b>1,651</b>	<b>1,668</b>	<b>1721</b>	<b>1707</b>
MBNA Credit Card	1402	1364	1305	938
Car Rentals	30	25	25	0
GoNext Travel	87	87	47	0
ABA Retirement Participants	728	725	777	756

**10. Current Issues and Challenges:**

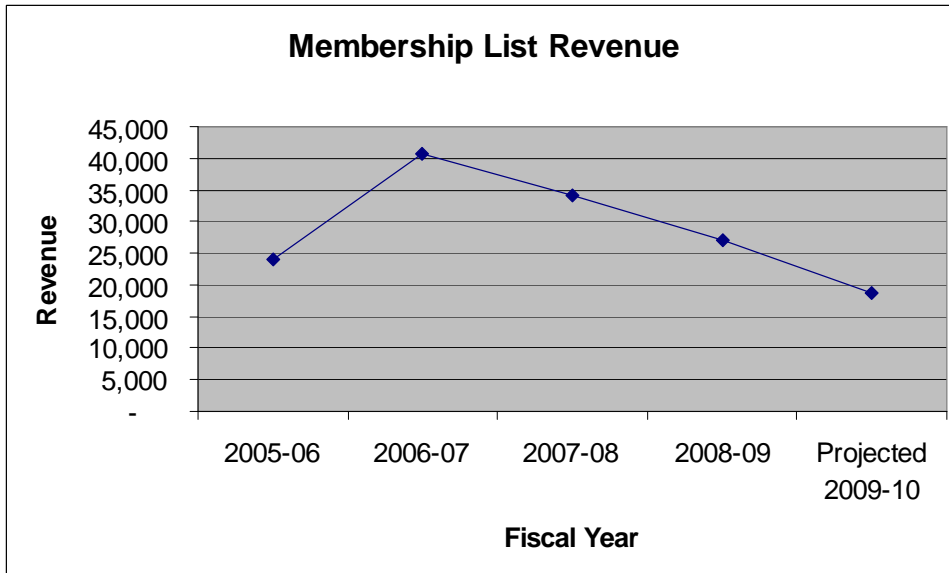
A. Overall trend of decrease in revenue.



As shown in the preceding chart, overall revenue has been decreasing for the past three years. This trend results from several factors, including the economic downturn:

- Credit card usage declined as card holders opted to spend – and charge – less.
- GoNext travel declined as members put off spending for discretionary luxury items.
- The Avis car rental program rates were not competitive with other options available to members. Due to the low usage of the program and lack of significant discounts, Avis ceased to be beneficial to members and the MSBA, and the contract was cancelled in December 2009.

- The cost of health insurance premiums has risen for several years which has caused a decrease in the number of insureds
- B. As shown in the following chart, membership list sales have significantly decreased.



Mailing list users reduced or eliminated list orders due to budget cutbacks. Also, mailing lists have never actively been promoted but we are now planning to promote them. Lists are rented to organizations that align with the mission and goals of the MSBA on condition the promotional information is deemed useful or relevant to our members. List orders must be accompanied by examples of the mailing for which the labels will be used, and not all are accepted. For example, Minnesota CLE must approve requests for mailings promoting CLE programs that may compete with MCLE offerings. The State offers lists of licensed attorneys' names and addresses free of charge to the public and is an alternative source for commercial entities.

## 11. Explanation of Budget Categories

The budget categories identify revenue by the MSB*Advantage* program.

Program	Description	Revenue Calculation	
Membership Lists	Revenue includes the income from the sale of membership mailing labels to commercial entities wishing to reach legal professionals	Prices of specific lists range from \$125 to \$250, and the price for our entire membership list is \$2,000.	
Insurance	Revenue includes a percent of the annual premiums paid by members for specific insurance products.	<u>Product</u>	<u>MSBA's % of premium</u>
		Group Medical	3%
		All other health products	2.5%
		Term, level and senior life	7%
		Disability, Accidental Death, Long-term care, Business overhead, Business Owners	2.5% plus a % increase on a sliding scale over \$125K

Program	Description	Revenue Calculation	
		Home/Auto	1%
Travel	Revenue includes a percent of the annual revenue collected from the travel vendor	The revenue collected is 2.5% of the total amount collected by GoNext from our members	
Credit Cards	Revenue includes a percent of the annual amount charged on MSBA credit cards plus a royalty for cards opened or renewed	Consumer Credit Cards	\$1 new & renew .50% (one half of one percent) of all retail purchase transaction dollar volume generated by customers
Car Rental	Avis contract was cancelled in 2009.		

Expenses – The direct expenses category estimates expense directly tied to the promotion of the *MSBAdvantage* program. The estimate consists of expenses for the design, printing and mailing of direct mail promotional brochures. In addition, unrelated business income tax expense is located in this category and consists of the taxes applied to the *MSBAdvantage* program revenues.