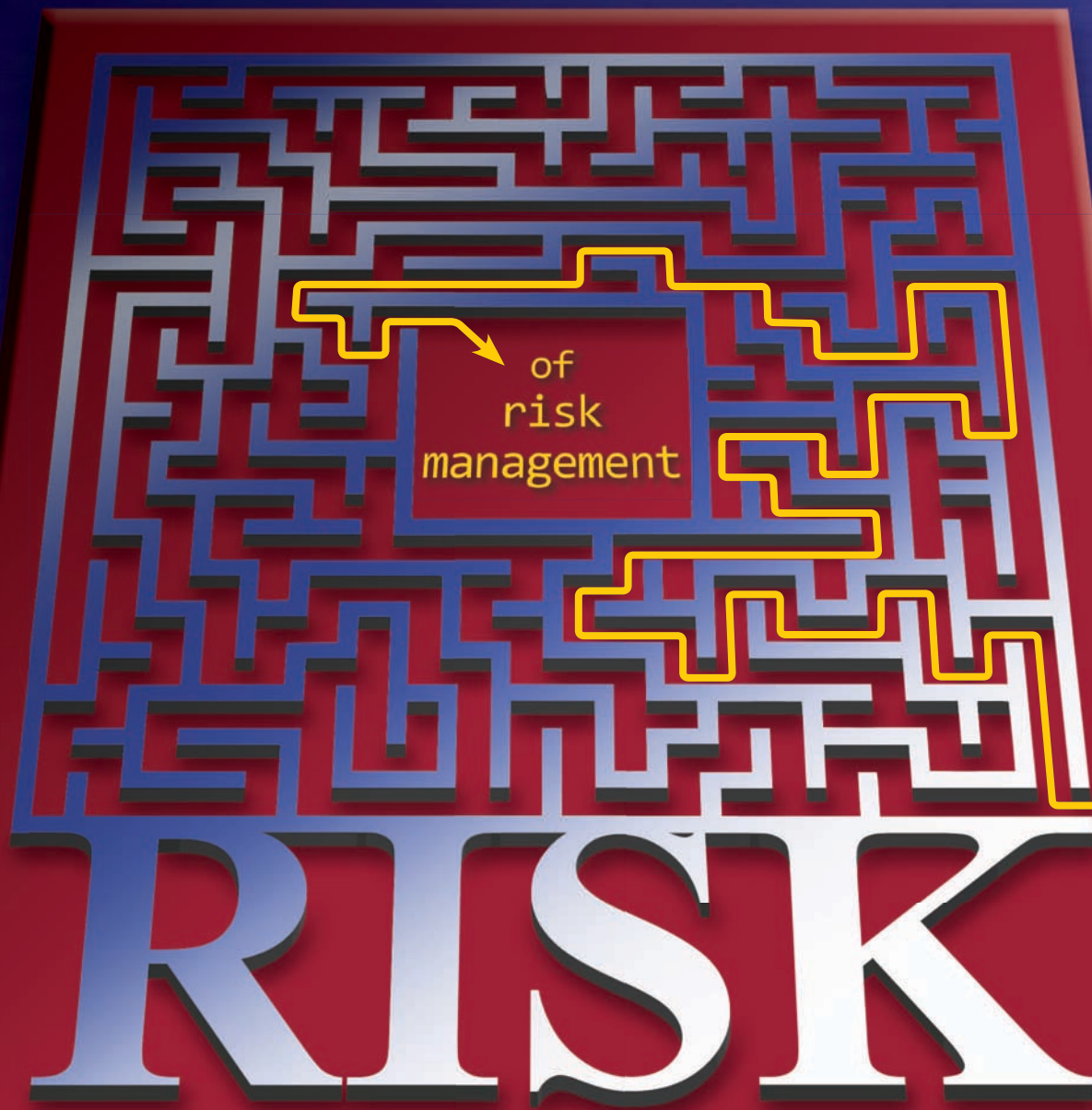


# SOLVING the puzzle



MICHIGAN MUNICIPAL RISK MANAGEMENT AUTHORITY  
2019 Annual Report



### DID YOU KNOW:

The **Rubik's Cube** (originally called the Magic Cube) was invented in 1974 by Hungarian sculptor and professor of architecture Ernő Rubik, but it wasn't released worldwide until 1980. More than 350 million have been sold, making it the world's top-selling puzzle game.

MMRMA was formed in 1980, debuting right around the time the Rubik's Cube made a splash on the global stage. Like the multi-colored and addictive cube game, MMRMA was no flash in the pan.

The MMRMA solution to complex risk management challenges has always included exceptional coverage and member service, along with a flexible willingness to adapt. This winning formula has stood the test of time and is poised to continue that tradition for many years to come.

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A puzzle is  
not a  
dead-end.

- Lewis N. Roe



## TO OUR MEMBERS

Welcome and thank you for reading our Fiscal Year 2019 Annual Report to Members. This year's theme is MMRMA: Solving the Puzzle of Risk Management.

Michigan Municipal Risk Management Authority was formed in 1980 to do exactly that: solve the risk management challenges facing public entities across the great state of Michigan. Since those early days, our members have depended on the organization – and one another, since MMRMA is member-owned and member-governed – to mitigate and manage risks across the spectrum of local governments and their service areas.

The purpose and mission of MMRMA has not changed in four decades. As readers likely know all too well, the same cannot be said of the confounding and complex risk management issues public entities must solve each day. As members strive to deliver excellent services to their communities, every function and activity brings its own set of challenges.



*Board of Directors Chairman Michael Bosanac (L) and Executive Director Michael Rhyner (R)*

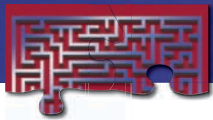
Everyone at MMRMA is profoundly thankful that our members put their faith in this organization. Together, we work with each other and our business partners to meet those challenges in ways that make a difference, protecting communities, public employees, and citizens across Michigan.

In this Annual Report, we examine four puzzling areas that pose challenges for MMRMA members – and the corresponding solutions that MMRMA has helped develop to solve them:

PUZZLE	SOLUTION
Evolving Threats	Collaboration
Fiscal Challenges	Resources
Complex Risks	Expertise
Rapid Changes	Excellence

We hope you find the information in these pages useful and reassuring. None of us knows exactly what the future holds. Fortunately, MMRMA has a track record of excellence and the strong commitment of membership, staff, and business partners. Together, we will continue to help solve the inevitable puzzles of risk management that await the organization and our members.





## PUZZLE: Evolving Threats

**The only constant is change, and the risks that public entities face – in Michigan and everywhere – are no exception.**

The evolving nature of threats facing our members means solutions must evolve, as well. From the outset, those solutions have been based on the principle of **collaboration**.

### *Pooling means mutual benefits*

The earliest example in MMRMA's history? Our very formation. In 1980, a shifting commercial insurance marketplace meant public entities needed to find alternative solutions to protect themselves and their constituents from risks. From this upheaval, the public entity pooling industry was born.

In recent years, joint partnerships and service agreements between public entities has been touted as a solution to budget and resource constraints. This type of solution is, of course, familiar to MMRMA: public entity risk pools are a perfect example of collaboration and have been an undeniable success both nationally and right here at home. MMRMA's reputation as a leader in the pooling industry means Michigan public entities have access to the gold standard.

**Our whole life is solving puzzles.**

- Ernő Rubik

### *Members have a stake in success*

When MMRMA's three founding members pooled their resources, they started putting the pieces together for more than 400 Michigan public entities that comprise today's membership.

This collaborative effort is illustrated in the efforts of over 100 individuals from our members who dedicate their time and expertise to help govern and guide MMRMA, serving on the Board of Directors (see page 10) and committees:

### **Standing Committees**

**Membership** – This seven-person committee reviews Risk Avoidance Program (RAP) and Certification and Accreditation Program (CAP) grant applications from members, helps staff develop grant guidelines and criteria, and receives reports from staff about the membership and the organization.

**State Pool** – Made up of nine individuals from MMRMA's State Pool members, this committee represents the needs of smaller public entities across Michigan and works with staff to explore opportunities for meeting those needs.

**Investment** – This nine-person committee helps guide the investment strategy of the organization and makes recommendations to the Board regarding MMRMA's financial activities.

**Events** – These seven individuals help MMRMA's event planner and staff in developing programs and content for our Annual Meeting and Risk Management Workshops.



## SOLUTION: Collaboration

## Risk Control Advisory Committees

These ten committees are comprised of member employees with experience in their respective service areas. They bring their collective know-how to the table for MMRMA and their fellow members, helping share insights, craft model policies and guidelines, and identify and develop training opportunities:

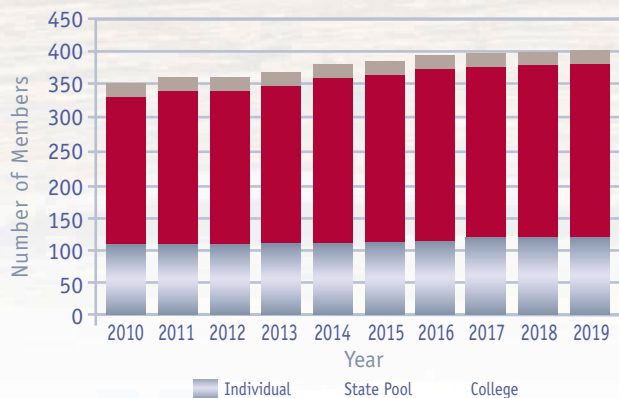
- Administrative
- Corrections
- Facilities Management
- Fire and EMS
- Health Facilities
- Law Enforcement
  - Lower Peninsula
  - Upper Peninsula
- Parks and Recreation
- Public Services
- Technology and Cyber Security

## Coverage that's never stagnant

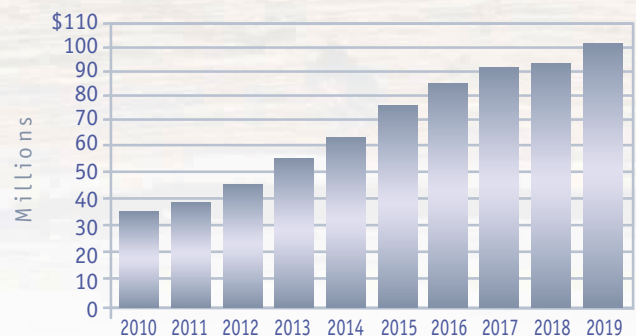
As the puzzling risk management landscape for public entities has continued to evolve, so has MMRMA's coverage document. A multi-departmental group reviews and makes clarifying revisions to the document each year to ensure the membership is protected. In 2013, MMRMA added to the core property and liability coverages, introducing data breach and privacy liability coverage.

Since the debut of this important benefit, MMRMA has expanded both its coverage and limits in subsequent years. Data breach and privacy liability coverage is offered to all MMRMA members at no additional cost.

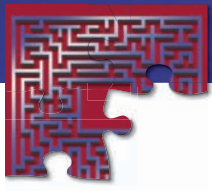
## FISCAL YEAR 2019 = 412 MEMBERS STRONG



## RETENTION FUND BALANCE



Decades of collaboration have allowed MMRMA to grow to over 400 members, leading to a healthy organization and a retention fund balance that is at an all-time high. MMRMA members are stronger together.



## PUZZLE: Fiscal Challenges

While almost everything else in the world seems to be in perpetual flux, financial challenges rarely let up. Our members from across the state of Michigan, no matter their entity type, experience budget crunches each year, and attempt to do more with less as they work to fulfill local government functions for their constituents.

MMRMA helps solve this puzzle through the power of pooling. As our founders knew all too well, there is strength in numbers. And, as the membership has grown, so have the benefits of that strength which is reflected in valuable **resources** that benefit every member.

### *Stable underwriting and reinsurance*

In Fiscal Year 2019, MMRMA's overall change in member contribution rates was -1.6 percent. For the past ten years, in fact, rate changes have been less than 0%, and this stability reflects the sound decisions of the organization's leadership. While specific member contributions vary based on the mix of exposures, changes in exposures, five-year loss history, and other underwriting considerations, the overarching trend of stable rates is a win for the membership at large. It reflects members' commitment to MMRMA and support of our judicious approach to risk control, management of claims and lawsuits, investments, and all daily operations of the organization.

Decades of that commitment and of prudent management have also cemented MMRMA's stellar reputation among reinsurers. Renewal rates for this important layer of our property, liability, and data breach coverage have also held steady, further protecting members from volatile global financial conditions.

### *Success adds value for members*

In 2006, the Board adopted MMRMA's Net Asset Policy to ensure that the organization holds adequate capital to meet its current and future financial obligations. The policy outlines procedures for an annual capital adequacy analysis which, in most subsequent years, has identified excess net assets to be deployed for the benefit of the membership.

In Fiscal Year 2019, the Board declared a \$28 million distribution of excess net assets to current renewing Individual and State Pool members, the thirteenth such distribution. The total direct distributions to members since 2006 is \$307 million.

MMRMA has also used excess net assets to provide other direct benefits to members, including data breach coverage and Michigan vehicle assessments, at no additional charge, bringing the total cumulative deployment of excess net assets to over \$365 million to date.



## SOLUTION: Resources

### *Partnering to fund innovative solutions*

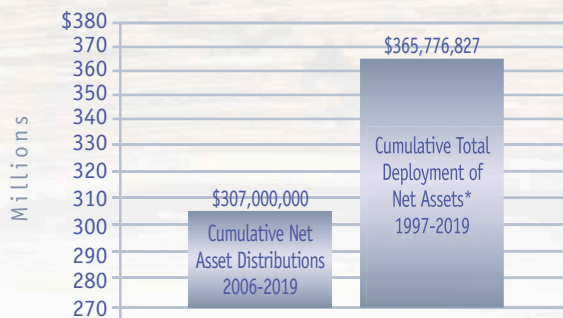
Launched in 1997 and administered by MMRMA staff and the Membership Committee, the Risk Avoidance Program (RAP) is another example of how MMRMA puts excess net assets to work for the benefit of the membership. For over twenty years, MMRMA members have been able to apply for grants to reimburse them for their investments in risk management initiatives.

In 2016, MMRMA added Certification and Accreditation Program (CAP) grants to help members achieve excellence. The Board of

Directors has increased the annual RAP grant budget several times over the years; currently that budget is \$1.75 million. To date, MMRMA has allocated \$17.5 million dollars to RAP/CAP grants, helping members fund equipment and projects that address risk.

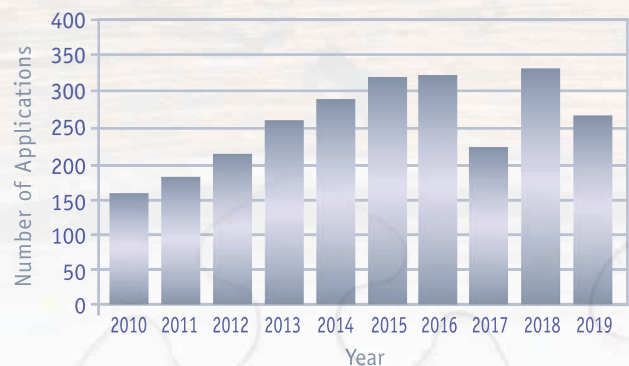
MMRMA also conducts a regular review to identify new grant opportunities and develop funding parameters, further allowing the program to evolve with members' needs. The longevity and loyalty of the MMRMA membership make it all possible.

### CUMULATIVE NET ASSETS DEPLOYED FOR MEMBERS



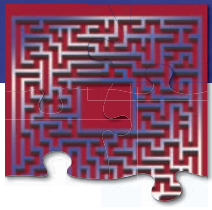
\*Member benefits include Distributions, RAP Grants, MCCA/MACP Assessments, Enhanced Auto No-Fault Coverage, and Data Breach Reinsurance

### A DECADE OF RAP APPLICATIONS



Alone we are smart.  
Together we are  
brilliant.

- Steven Anderson



## PUZZLE: Complex Risks

The heart of MMRMA is risk management. It is right in our name... and in our mission statement:

*Michigan Municipal Risk Management Authority, a national leader among public entity pools, is dedicated to providing superior risk management services and products that protect its Member participants and the public they serve.*

The solution? **Expertise.** It helps members navigate the labyrinthine challenges of risk management across the spectrum of public entity functions and departments.

### *Helping one other address risk*

MMRMA is member-owned and member-governed, and the expertise benefiting the membership starts within its own ranks of public officials and departmental experts.

From the Board of Directors (page 10) to our many committee participants (page 2-3), to the many individuals who attend MMRMA's Annual Meeting, Risk Management Workshop, and

other training events, member associates drive the conversation – and the solutions – on the issues that matter most.

### *A team of experts working together*

MMRMA's staff and business partners also bring a wealth of expertise to work each day to benefit members.

Our **Membership Services** team includes six Risk Control Consultants with extensive subject matter experience in areas such as law enforcement, corrections, parks and recreation, public works, and administration.

In addition to their daily activities visiting members to consult on the mitigation of risks, these professionals also work closely with the member experts who serve on our ten Risk Control Advisory Committees. These committees collaborate to produce information and resources that help fellow members address risks and improve policies and processes.

The Membership Services team also assists the Membership Committee in the process of administering, reviewing, and awarding RAP/CAP grants (page 5) and works closely with the entire MMRMA team to facilitate the organization's continued excellence in the public entity pooling arena.

MMRMA's **Underwriting** and **Risk Management** teams also add their expertise to the mix. Our underwriters work with actuaries and reinsurers to help set rates. They also serve on the

Funny thing about mazes:  
What's baffling on the ground  
begins to make sense when  
you rise above it.

- Wally Lamb



## SOLUTION: Expertise





## DID YOU KNOW:

The oldest surviving hedge maze is located at Hampton Court Palace, Surrey, UK, and was built for King William III and Mary II of England. It was designed by royal gardeners George London and Henry Wise and planted in 1690 using hornbeam to form the hedges.

MMRMA understands that navigating the complex risks associated with public entity operations can be as confounding as a life-sized maze, and the high stakes affect members across the board, from employees and citizens to the community and the entire state of Michigan. That's why we are here, with proven solutions that help members navigate exposures, claims, and much more.

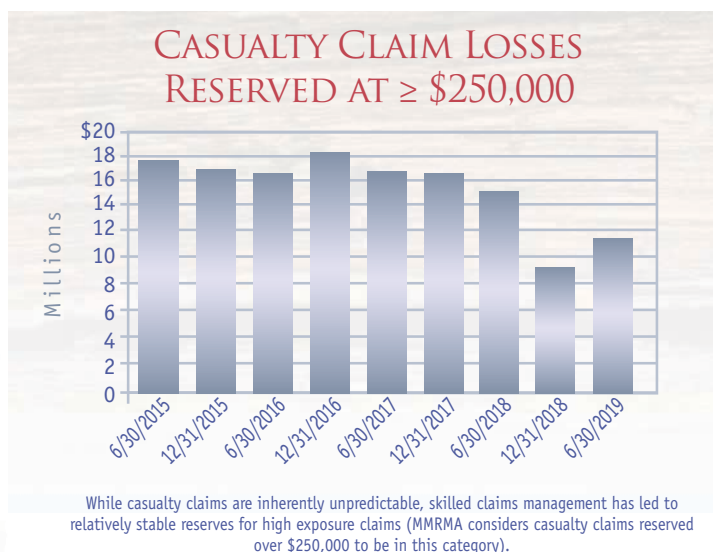
coverage document review group and help ensure the clarity and accuracy of MMRMA's coverage documents to keep members protected.

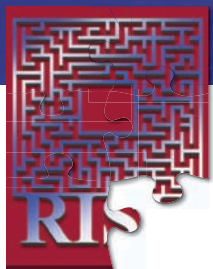
In-house and outside risk managers help members understand our coverage, manage their renewals, and employ the judicious transfer of risk.

Even the very best risk management approaches, well-crafted and expertly applied, do not always achieve perfect outcomes. The world is unpredictable and, despite the outstanding tools, training, and resources at members' disposal, incidents do occur.

That means a different kind of maze involving claims, lawsuits, mediation, subrogation, and more. To help members successfully traverse these twists and turns, our **Claims and Legal Services** team puts their own experience to work. MMRMA's adjusters and attorneys know the membership and they know public entity risk. Members can rest assured they're navigating claims and litigation with the best guides available.

The expertise doesn't stop there. Our **Administrative, Information Technology**, and **Finance** staff, along with other business partners – actuaries, reinsurance consultants, investment managers, web and technology specialists, event planner, et. al. – help MMRMA conduct the ongoing business of the organization to produce the very best outcomes for the membership, whatever new puzzles may come.





## PUZZLE: Rapid Changes



### **It bears repeating: Change is constant and inevitable.**

The variable nature of public entity risk – and, indeed, of risks of all kinds – has substantial, wide-ranging effects on the puzzles MMRMA helps solve for members. The significance of change is only compounded by the fact that, if anything, its pace seems to speed up every single day in our shifting world.

MMRMA is no stranger to this phenomenon. Key shifts in the commercial insurance market led to our formation, and the organization has faced countless changes, great and small, in the 39 years since. At every turn, MMRMA's **excellence** has been the solution.

Through first-rate leadership, judicious hiring and project management, and cutting-edge training, MMRMA continues to bolster its reputation for excellence. With the strength of our program, new puzzles can always be solved. Many even come with advantages for an organization like ours, filled with people willing to collaborate on solutions. We can't avoid change; the only alternative is to meet it head on.

### *Technology poses risks, opportunities*

A key factor in this ever-increasing speed of change is technology. We all know how dramatically different our lives are today than they were even five or ten years ago. Thinking back to MMRMA's early days, who could have predicted the extraordinary developments we have seen in computing power, connectivity, and a host of other technological areas.

This new era has changed how we do our jobs,

how we communicate with one another, and how we live. It's constantly in flux, and MMRMA is always working to identify new solutions for meeting members' needs and conducting business efficiently and effectively. New platforms and tools are in development, and they will connect us and serve the membership for many years to come.

We also know that innovators are not all working for a better world. Bad actors are out there at their keyboards, working tirelessly to gain access to our data, our resources, and our very identities. Every day, it seems, they come up with new ways to infiltrate unsecured systems and trick people into unwittingly sharing the information and access they want.

MMRMA added, and has since updated, its data breach and privacy liability coverage (page 3) to help members address these risks. The Board created the Technology and Cyber Security Risk Control Advisory Committee so members benefit from the benevolent technology experts from among their ranks. These information technology professionals developed several resources for members in 2019 and more help is imminent for the thorny puzzle of cyber risk.

Technology isn't just on our desks, it's in our homes and buildings. The most recent addition to MMRMA's committee lineup is the Facilities Management Risk Control Advisory Committee. These member employees are developing resources to help members mitigate risks in their facilities, from snow removal to avoid roof damage to digital, "smart" features like thermostats that bring both benefits and concerns.



## SOLUTION: Excellence

The nice thing about  
doing a crossword  
puzzle is, you know  
there is a solution.

- Stephen Sondheim

### *Training stays ahead of the curve*

Members have long taken advantage of MMRMA's top-notch training. These, too, evolve to meet ever-changing risks and needs. MMRMA has presented sessions and other resources on active shooter situations for various member functions, including law enforcement and administrative staff.

MMRMA also partnered with military trainers to develop Rescue Task Force training. This innovative simulated training course helps prepare emergency medical personnel for entering an active shooter situation accompanied by law enforcement officers. The goal is that these trained teams can reach injured parties more quickly and save more lives.

In Fiscal Year 2019, 856 people attended MMRMA training, including these courses and more:

- Anatomy of a Lawsuit
- Autism Safety
- Corrections Supervision
- Emergency Vehicle Operator Refresher
- Emerging Legal Trends for SWAT and Emergency Response Operations
- Freedom of Information Act (FOIA) Training
- Managing a Mental Health Crisis
- Public Labor Law & Effective Grievance Processing
- Rapid Deployment to Active Shooter
- Sexual Harassment Active Bystander
- Tactical Encounters for Patrol Officers

Watch for more training and tools in the coming year. Thanks to MMRMA's coordinated efforts, our members, staff, and business partners can face the rapidly approaching future – and the changes it is certain to bring – together.



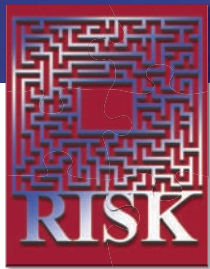
### **DID YOU KNOW:**

A tradition in **crossword puzzle** design (in North America, India, and Britain particularly) is that the grid should have 180-degree rotational (also known as “radial”) symmetry, so its pattern stays the same if the puzzle is turned upside down.

While the origin of crosswords is difficult to pinpoint, it's safe to say they have been around longer than MMRMA, though not nearly as long as the phenomenon of risk itself.

In any case, crossword puzzles have longer staying power than the newspapers that helped make them popular. Puzzle creators and curators figured out how to adapt them to today's technology and many aficionados play crosswords on desktops, tablets, and smartphones.

MMRMA's evolution also keeps up with rapid changes in public entity risk pooling and beyond, including technological developments that require creative new delivery methods for our tried-and-true risk management approach.



**We have explored various pieces of the risk management puzzle experienced by MMRMA and our members.** Thanks in large part to the leadership and guidance of the MMRMA Board of Directors, MMRMA has been able to cultivate the solutions shared here: collaboration, resources, expertise, and excellence.

Board members exemplify yet another solution: commitment. Elected by the membership, of the membership, they know the value of the trust placed in them, and they meet their responsibilities with unwavering **commitment**. In addition to their busy roles at their respective member entities, each Board member tirelessly shares their time, experience, and energetic ideas to help the entire membership.

### *Leading with strength of character*

MMRMA's many activities and programs all benefit from the Board's oversight, insights, and thoughtful consideration. The Board of Directors has been an integral component of MMRMA governance since 1980, and it continues to guide the Executive Director and staff in their collective mission to serve the membership with solutions that make a difference.

The Board recognizes its collective responsibility for helping MMRMA achieve its key strategic goals of financial strength and membership retention and longevity. These goals, in turn, lead to the core products, services, and solutions that benefit the membership in many ways, large and small. While we have shared some highlights in these pages, it is the Board's hope that every member associate

who interacts with MMRMA will come away with a meaningful, positive memory of those encounters.

### *Strategic governance and guidance*

Like all effective leaders, our Board members are not content to rest on the successful solutions of the past, or even of the present. They continue to emphasize strategic oversight and planning to ensure the continued success of the organization for many years to come.

Every fall, the Board and executive staff attend a strategic planning retreat to consider current and future challenges and opportunities facing MMRMA. But this strategic planning process is a constant conversation, not a one-and-done annual event. The Board reviews progress and refines its strategic vision regularly throughout the year, developing an ongoing account of initiatives that evolves along with the organization.

Part of the process also involves regular review and refinement of MMRMA's Governance Manual. These thorough, detailed governing documents are considered exemplary in the public entity pooling industry. They provide the structure on which the organization operates and fulfills its commitments to the membership.

### *Stewardship of Greenstone, MMRMA's captive*

In 2016, the Board authorized the formation of Greenstone Insurance Company, a wholly owned captive of MMRMA that provides a vehicle for enhanced services and additional coverage offerings for the membership. MMRMA's reputation as a leader in public entity risk pooling was reinforced



**SOLUTION: Commitment**





# Intellectuals solve problems. Geniuses prevent them.

- Albert Einstein



*MMRMA's Leadership: Front row (L. to r.): William Wild, Secretary; Michael Bosanac, Chairman; Executive Director Michael Rhyner, and Fabian Knizacky, Vice Chairman. Back row (L. to r.) Curtis Holt; Leon Wright; Richard Burke; Tracey Schultz Kobylarz; Jeffery Lawson; and Doug Johnson. Missing from group photo: Michael Sedlak (right).*



by this exciting approach to meeting members' current and potential needs.

Greenstone's Board of Managers is made up of five people from the MMRMA Board of Directors: Michael Bosanac, Fabian Knizacky, Curtis Holt, Tracey Schultz Kobylarz, and Leon Wright.

In Fiscal Year 2019, Greenstone expanded on its tax bond program for MMRMA member counties and continued to offer other ongoing coverages, including statutory aggregate excess for MMRMA and affiliate members in the Michigan Community College Risk Management Authority (MCCRMA). Future products and coverage options are also in development via the captive.

## **Collective efforts lead to strong solutions**

Everyone at MMRMA works in concert to navigate the uncertain, ever-shifting world of risk. As puzzle enthusiasts know, we may see some of the risks we face, but constant change and other challenges make it difficult to clearly see the whole picture.

The Board, through its diligent leadership and innovative vision, helps MMRMA bring that picture a little more into focus. The aim is to enhance value for the membership every step of the way as we continue to solve the evolving puzzle of risk management together.

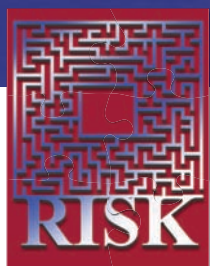


## **DID YOU KNOW:**

Leslie Scott, the co-founder of Oxford Games Ltd, based Jenga on a game her family played in the early 1970s using wooden building blocks purchased from a sawmill in Takoradi, Ghana. The name Jenga is derived from kujenga, a Swahili word which means "to build."

Playing Jenga requires precarious balance and constant vigilance. Like any aspect of life, including the important work of public entities, players must interact with the Jenga tower in ways that inevitably involve risk.

The Board of Directors is reliably effective at leading MMRMA with care and finesse. Their commitment and guidance help keep MMRMA stable despite the constant and inevitably shifting array of risks facing our members.



## CLAIMS & FINANCIAL DATA

### CLAIMS FILED BY LINES OF COVERAGE<sup>†</sup>

	2014	2015	2016	2017	2018	2019
Auto Liability	478	335	326	333	399	404
Auto Physical Damage	668	604	685	671	745	749
General Liability*	1,425	11,639**	823	1,215	1,099	1,101
Property	391	345	356	387	410	420
Data Breach	-	-	1	-	4	7
<b>TOTAL</b>	<b>2,962</b>	<b>12,923</b>	<b>2,191</b>	<b>2,606</b>	<b>2,657</b>	<b>2,681</b>

<sup>†</sup> Not including litigated claims.

\*Also includes law enforcement, public officials, and sewer claims.

\*\*In FY 2015, 10,635 claims were reported by residents of our members as a result of a single August 11, 2014 storm. It produced unusually significant rain, which caused flooding and sewer system backups.

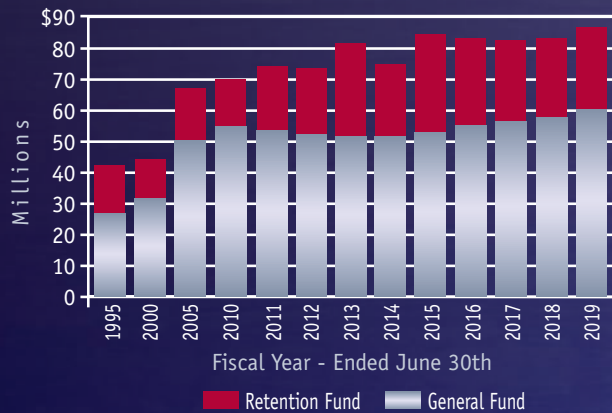
### LITIGATION CLAIMS ONLY

	2014	2015	2016	2017	2018	2019
Files Opened	328	321	347	275	289	389
Files Closed	384	307	306	297	326	329

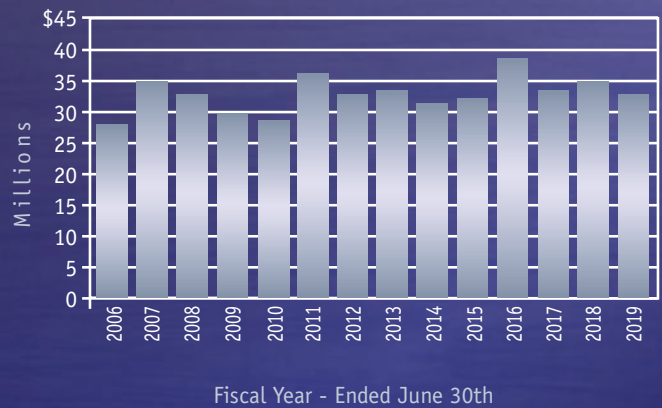
### FINANCIAL HIGHLIGHTS

	2014	2015	2016	2017	2018	2019
Member Contributions - General Fund and Retention Fund - Gross	\$75,055,639	\$84,671,203	\$82,519,381	\$81,646,595	\$83,216,449	\$86,633,655
Claims and Claim Adjustment Expenses Paid - General Fund and Retention Fund - Gross	31,424,634	33,137,880	39,778,615	34,674,572	35,112,562	34,014,063
Net Asset Distributions to Members	34,535,390	45,152,750	31,814,134	23,749,971	29,000,000	28,000,000
Cash and Investments at Fair Market Value - net of pending trades	472,640,102	472,104,272	478,439,928	498,294,239	510,924,977	544,067,450
Investment Income - includes realized and unrealized gains/losses, interest, dividends, and other income	58,665,552	17,228,284	30,010,314	28,630,398	25,453,301	37,107,020
Reserves for Claims and Claim Adjustment Expenses - reported and IBNR	52,489,419	59,653,755	62,886,669	66,296,258	65,425,821	64,748,916
<b>Net Position</b>						
Net Investment in Capital Assets	4,410,890	4,053,823	3,650,987	3,294,151	3,070,857	2,602,056
Unrestricted Net Position	319,290,219	297,582,549	298,974,109	313,080,265	324,245,522	347,908,274
<b>Total</b>	<b>\$323,701,109</b>	<b>\$301,636,372</b>	<b>\$302,625,096</b>	<b>\$316,374,416</b>	<b>\$327,316,379</b>	<b>\$350,510,330</b>

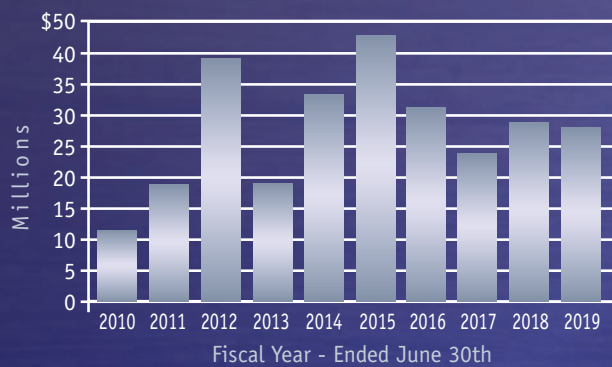
## MEMBER CONTRIBUTIONS HISTORY GENERAL FUND AND RETENTION FUND



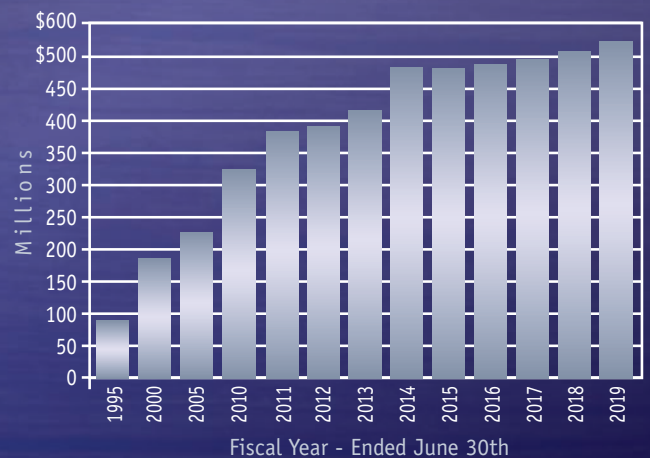
## CLAIMS AND CLAIM ADJUSTMENT EXPENSES PAID HISTORY



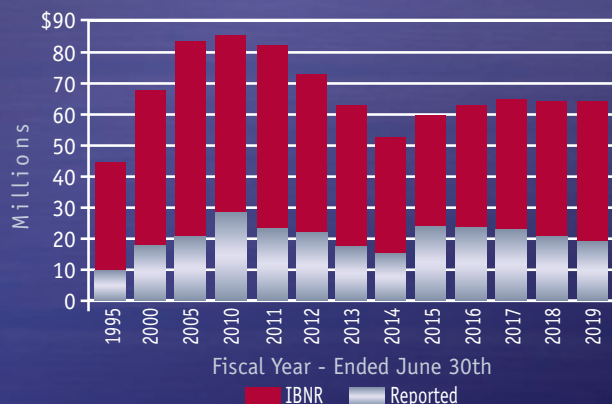
## NET ASSET DISTRIBUTION HISTORY



## CASH AND INVESTMENTS HISTORY

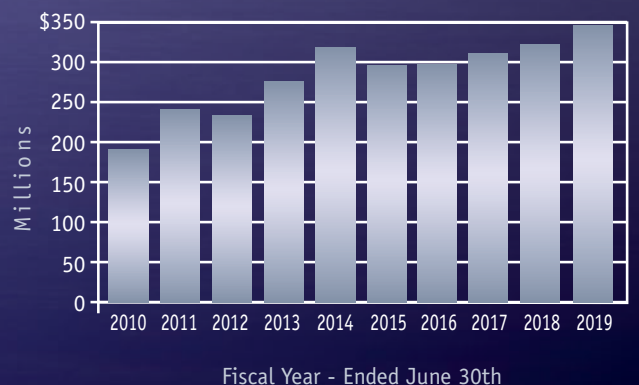


## GENERAL FUND CLAIM LOSS RESERVE HISTORY\*



\*Based on the actuarial valuation performed by Willis Towers Watson. General fund claim loss reserves include only those reserves within the MMRMA layer.

## UNRESTRICTED NET POSITION







MICHIGAN MUNICIPAL  
RISK MANAGEMENT  
A U T H O R I T Y

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