



A Strategic Vision

Past  Present  Future 

2021 ANNUAL REPORT



Michael Rhyner, Executive Director, and Michael Bosanac, Chairman.

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Committed to Excellence


To Our Members,

As a member-driven, member-owned, and member-governed public entity risk pool, Michigan Municipal Risk Management Authority is here to help and serve you. With gratitude, please enjoy our Fiscal Year 2021 Annual Report to Members, *MMRMA: A Strategic Vision*.


Our strategic vision for MMRMA is the heart of our governing process, and it requires a clear view of past, present, and future. From this vantage point – informed, aware, and prepared – we can chart the best course forward, guiding the organization and its key initiatives.

Throughout these pages, you will see reflections on our history, our recent successes, and the strategies through which MMRMA will actively shape its future.


KEY



Studying our origins and our foundational programs helps us build on them with purpose and precision.



Examining our current achievements in the face of very real challenges lets us assess the next steps forward.



Those next steps require strategic analysis of the horizon to shape our action plan for the next year, decade, and beyond.

We are fortunate to partner with you, the members, as we successfully navigate a complex world in which the pace of change only seems to increase. Together, we continue to demonstrate our commitment to excellence – for each of your entities and for the organization.

Thanks to that commitment and to our strategic vision, MMRMA is positioned to be stronger, more agile, and more sustainable than ever.

MEMBERSHIP SERVICES

UNITED TO MANAGE RISK

At its heart, MMRMA is the membership. From day one, MMRMA has existed to help Michigan public entities share in the financing and management of risk.



From three to 426 and still growing, our members lend their expertise to one another and have helped nurture the programs and achievements described in this report. It is a testament to their collaborative, cooperative spirit that our three founders – Redford Township, City of Ishpeming, and Livingston County – are still MMRMA members today.



Since 1997, Risk Avoidance Program (RAP) grants have helped members fund risk control projects. The program has grown significantly in budget and scope, now encompassing Certification and Accreditation (CAP) funding along with dozens of standardized grants, making it as straightforward as possible for members to receive funding.

MMRMA COMMITTEES



The Membership Committee reviews RAP/CAP applications and makes award decisions. In Fiscal Year 2021, they approved 245 applications for a total of \$1,372,820 in grants.

The Investment Committee helps guide MMRMA's investment strategy and makes key recommendations to the Board of Directors. See pages 9–10 for more information.

The State Pool Committee reviews data and trends relevant to MMRMA's 283 State Pool members, smaller entities with a shared retention fund. They provide experienced insights and feedback on initiatives to benefit the State Pool.

The Events Planning Committee helps develop valuable, worthwhile content for MMRMA's signature Risk Management Workshops and Annual Meetings.

Dozens of member experts serve on our Risk Control Advisory Committees, helping the Membership Services team stay on top of trends, updating model policies, and curating new member resources and trainings. These contributors are vital to MMRMA's success and the management of risk across the membership in these service areas: Administrative, Corrections, Facilities Management, Fire and EMS, Law Enforcement, Parks and Recreation, Public Services, and Technology and Cyber Security.



Recent output includes several new facilities management and cyber security bulletins, plus updated winter weather and water/beach safety guidelines. More resources are in the pipeline.

Risks evolve as quickly as ever, and MMRMA resources are keeping pace, building on MMRMA's successes as we rise to meet new challenges.



Membership Services, in partnership with the Legal and Liability Risk Management Institute, is developing a library of law enforcement protocols to launch in the coming months, and is seeking ways to enhance the benefits of RAP/CAP grant funding for members.

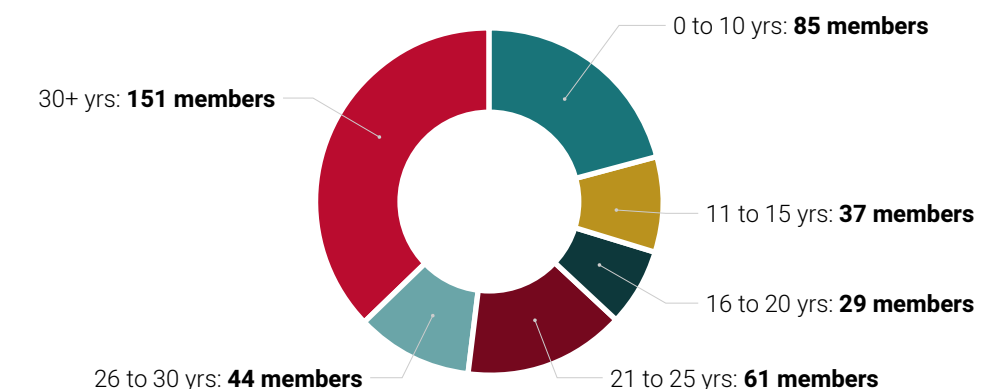


Cindy King, Director of Membership Services and Human Resources, notes that the recent hiring of a Cybersecurity Practice Leader “will be instrumental in helping MMRMA and our members manage cyber risks.”

MMRMA is also seeking ways to expand and enhance the benefits of RAP/CAP grant funding for members and to identify members interested in participating on a Health Facilities Risk Control Advisory Committee.

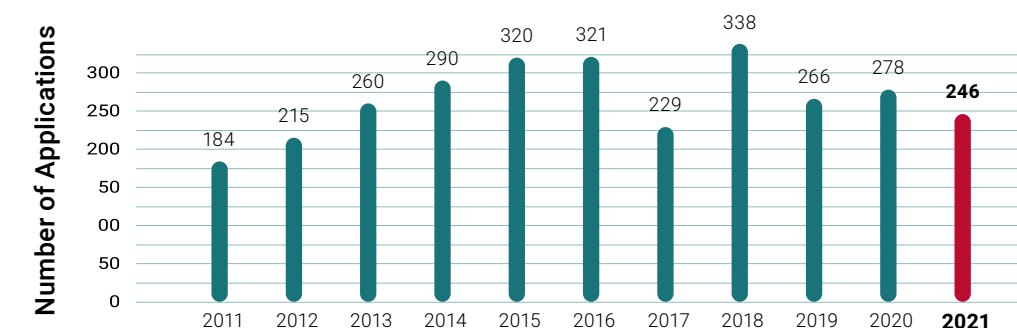
MEMBER LOYALTY

Number of Members by Years of Continuous Membership
Individual and State Pool Members (Excluding Colleges)



INVESTMENTS IN MEMBERS

= \$21 Million of RAP Funding



CLAIMS AND LEGAL SERVICES

EXPERIENCED PROFESSIONALS



As the Board and executive team develop strategic initiatives to carry MMRMA forward, claims and legal services are on their minds. From succession planning to partnerships with the State Court Administrators Office and other member and state courts, MMRMA is working hard to prepare our members and team for the unexpected trends to come.



The Claims and Legal Services team has strong roots in the formative early years of MMRMA. The core team came in-house in 1992 and has evolved – and expanded – in the years since.

Managers, adjusters, and support staff work diligently to manage member claims. They collaborate closely with service providers, including our longstanding partner firms Cummings, McClorey, Davis, & Acho, P.L.C., and Rosati, Schultz, Joppich, & Amtsbuechler, P.C., to manage mediation, litigation, and other claims and legal activities.

Complex, demanding conditions in recent years impacted the team's work in 2021. While the pandemic unfolded, other forces of nature in the form of heavy rains across the state led to an influx of sewer backup claims and a high-profile dam collapse in the vicinity of several members.

The team also dealt with many non-weather-related activities, bringing their collective expertise to the table in addressing the wide range of claims faced by the membership.

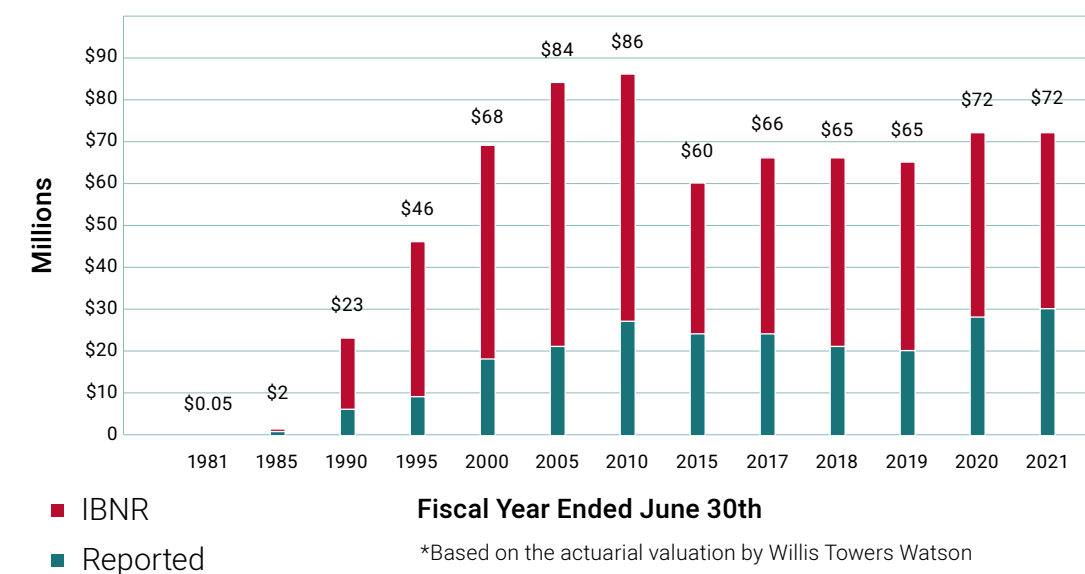


Of MMRMA's current high-exposure claims (those with reserves of \$250,000 or greater), law enforcement and public official claims comprise the most significant categories. Health and medical care facility claims rank among the greatest casualty exposures in the State Pool.

All told, MMRMA began Fiscal Year 2021 with 1,202 open claims, received 3,566 new claims, reopened 159, closed 3,448, and had 1,479 pending claims on June 30, 2021. According to Starr Kincaid, Director of Claims and Legal Services, this net increase of 277 open claims "is not surprising given slower claim intake and the extended life of litigated claims, both of which are likely associated with the COVID-19 pandemic and the state shutdown."

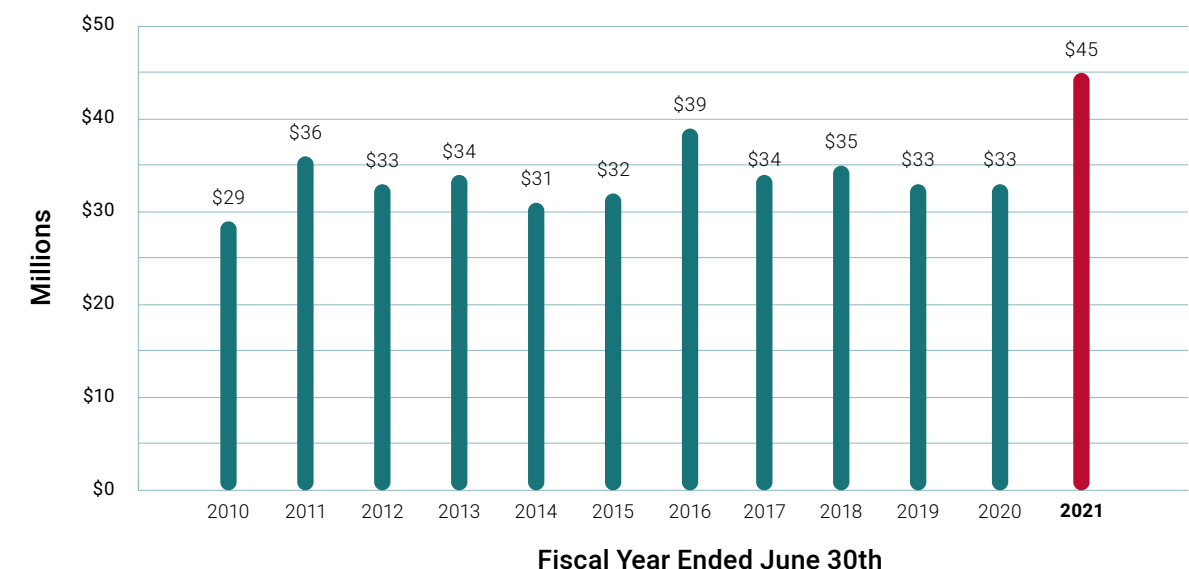
The team continues to pursue subrogation and restitution activities to recover funds from third parties that caused or contributed to our members' losses. In Fiscal Year 2021, MMRMA obtained gross recoveries of \$736,000, of which \$170,000 was returned to members. Our average recoveries have increased in recent years.

GENERAL FUND CLAIM LOSS RESERVE HISTORY*



CLAIMS AND CLAIM ADJUSTMENT EXPENSE PAID HISTORY

Individual and State Pool Members (Excluding Colleges)



UNDERWRITING AND RISK MANAGEMENT

STRUCTURED FOR THE FUTURE

Today, MMRMA has more members than ever. We also face an increasingly connected world and complex global conditions in areas ranging from population and climate to technology and socioeconomics.

Our team has kept pace, expanding the tools and expertise with which we serve members.



In its early days, MMRMA conducted its business primarily through service providers, including Regional Risk Managers. Many of those agencies remain MMRMA partners today: Ibex Insurance Agency, Associated Risk Management, U.P. Insurance Specialists, and Lighthouse Insurance Group.

MMRMA has also built a strong internal Risk Management team and expanded our Underwriting staff to manage 426 annual member renewals along with new business proposals and other key activities.

Meanwhile, MMRMA coverage has expanded from property and casualty to include data breach and other specialized offerings.



Over the past two years, a pandemic and growing concern about high-profile cyber security incidents led reinsurance market conditions to change sharply for these coverage areas. As always, we are working with reinsurance intermediaries and partners to maintain and develop coverage that meets members' needs.

In 2021, our interdepartmental working group conducted its annual series of meetings to review and propose clarifications and revisions in MMRMA coverage documents for the Board's approval.



MMRMA's ongoing strategic planning activities help us address evolving threats and opportunities facing public entities. This process led to the formation of our wholly owned captive, Greenstone Insurance Company, LLC, in 2016. Greenstone is performing well and helping MMRMA fulfill additional member needs. Starting July 1, 2021, Greenstone began participating in MMRMA's Data Breach reinsurance coverage. Other Greenstone products include tax bonds for MMRMA County members.

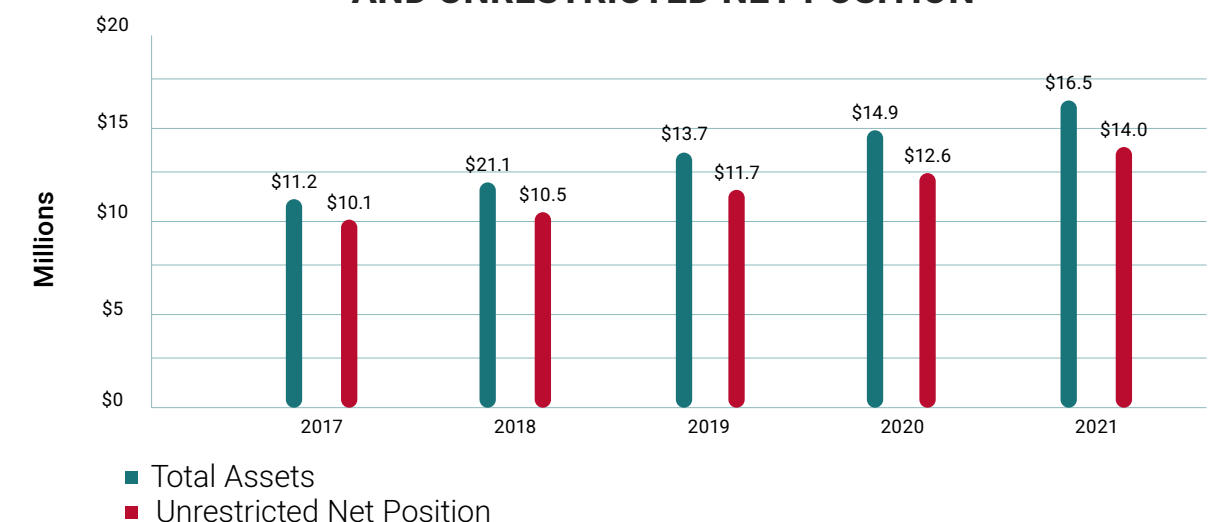
Our internal and external Risk Management associates continue to collaborate on tools, such as Member Annual Plans, to facilitate the renewal process and develop a long-term vision for each member's risk management activities. This, in turn, strengthens MMRMA and the entire membership.



In recent years, we have seen increasing turnover among member representatives, committee participants, and other key roles. We miss these loyal colleagues and thank them for their contributions. We also welcome the chance to share the MMRMA story with new member officials.

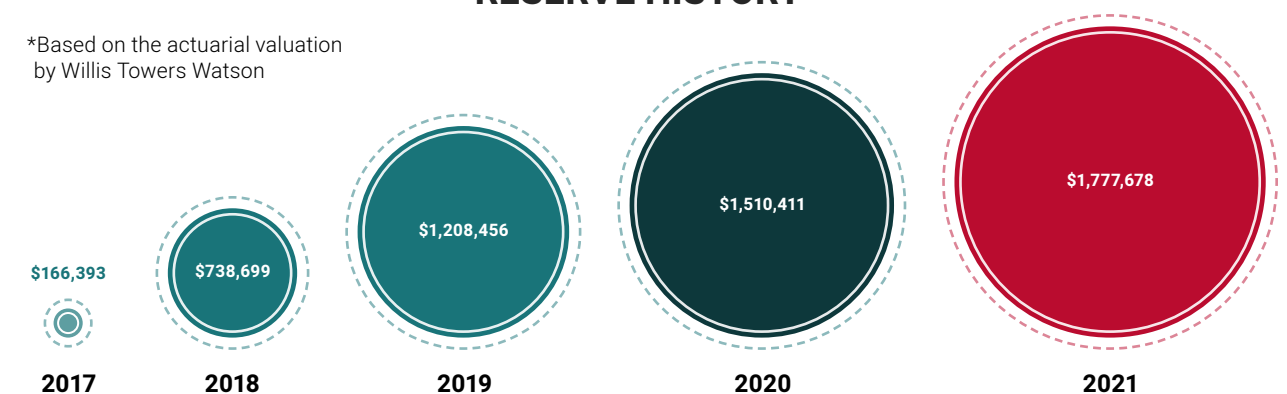
Our team is committed to developing and maintaining service delivery that rises to meet recent challenges and those not yet fully imagined. Member service is the common thread keeping our ties strong and our organization healthy.

GREENSTONE TOTAL ASSETS AND UNRESTRICTED NET POSITION



GREENSTONE CLAIM LOSS RESERVE HISTORY*

*Based on the actuarial valuation by Willis Towers Watson



FINANCE AND INVESTMENTS

INVESTED IN FINANCIAL SECURITY

MMRMA maintained its strong and healthy financial position in Fiscal Year 2021. As noted throughout this report, global conditions are changing more and more rapidly each year. It is as important as ever for MMRMA to be a bulwark of fiscal strength as we continue to serve members in our 41st year and well into the future.



In 1980, MMRMA had member contributions of \$42,716 followed by \$541,911 in 1981. MMRMA paid its first claims in 1981 in the amount of \$95,755. Those early members planted seeds that grew into the thriving organization MMRMA is today.



MMRMA had \$670,509,764 in assets and an unrestricted net position of \$431,773,700 at June 30, 2021, closing out the fiscal year with the foundation and resources to carry us through the challenges that inevitably lie ahead.



In January, the Board of Directors declared a \$23,097,364 distribution of excess net assets to renewing current Individual and State Pool Members. It was the 15th such distribution since the inception of the Net Asset Policy in 2006, bringing the total cumulative direct distributions to members to \$363,672,967.

The direct distribution is the largest component of MMRMA's deployment of excess net assets to benefit members each year. Other primary uses of net assets include RAP/CAP Grants (see pages 3–4), which have a \$1.75 million annual budget, and Michigan vehicle assessments for both the Michigan Catastrophic Claims Association and Michigan Assigned Claims Plan, for which MMRMA paid more than \$2.3 million for member-owned vehicles in 2021.

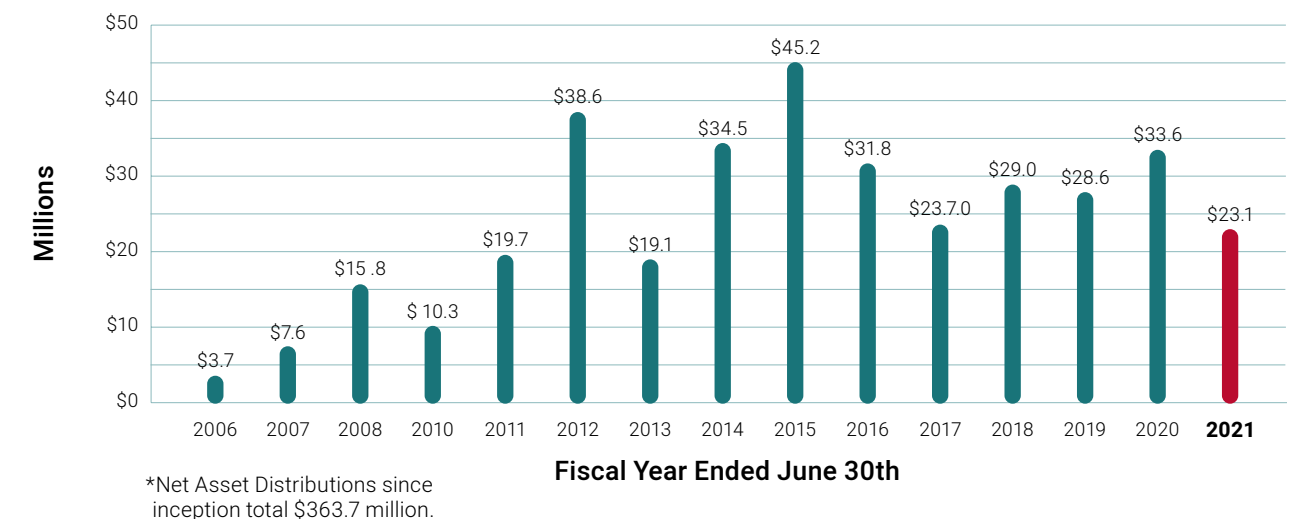
MMRMA's actuarial, investment, and auditing partners work closely in conjunction with Managing Director Bryan Anderson and the experienced Finance team to maintain the organization's excellent financial standing and compliance with all regulatory requirements. Our annual financial audits and triennial State of Michigan Department of Insurance and Financial Services financial/regulatory examinations regularly yield excellent results.



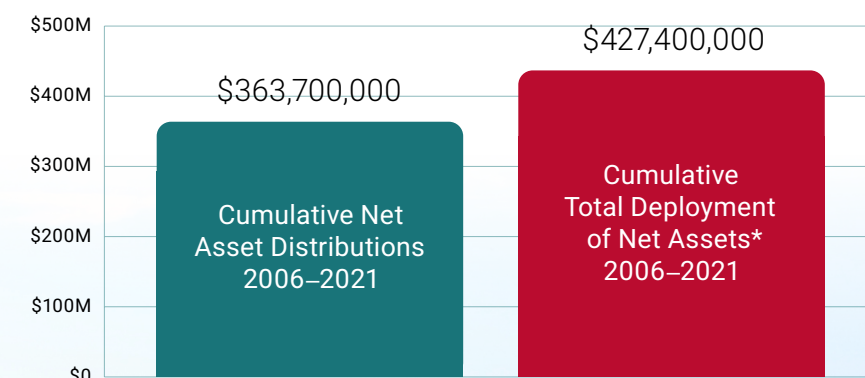
During the Board's strategic planning meetings in 2020 and 2021, they identified an array of potential threats, including regulatory, political, environmental, and economic conditions, that could pose challenges to MMRMA and our members.

Thanks to several factors – sound governance, attentive management in all areas of the organization, a proactive and watchful investment strategy, and continued member loyalty – MMRMA is ready to meet the future needs of the membership and remain financially strong for decades to come.

NET ASSET DISTRIBUTION HISTORY*



\$427.4 MILLION CUMULATIVE NET ASSETS DEPLOYED FOR MEMBERS



*Member Benefits Include:

- Direct Distributions
- RAP Grants
- MCCA/MACP Assessments
- Data Breach Reinsurance Premiums

*Additional benefits not represented in this total include enhanced auto no fault and MMRMA-provided data breach coverage.

BOARD OF DIRECTORS

GUIDED BY VISIONARIES



(Left to right): Richard Burke; Douglas Johnson; Fabian Knizacky, Vice Chairman; Maureen Miller Brosnan; Curtis Holt; Michael Bosanac, Chairman; Michael Sedlak; Michael Rhyner, Executive Director; Jeffrey Lawson; Leon Wright; William Wild, Secretary.

The Board of Directors is comprised of ten individuals elected from among the membership, by the membership, to govern MMRMA. Their commitment is unparalleled.

Their leadership also yields results.

Past, present, and future, MMRMA's Board members have always represented their fellow members with integrity, operating within a model of governance that earns accolades in the public entity pooling and insurance industries.



The Board of Directors welcomed its three surviving past chairmen – Jim Kelly, Kurt Humphrey, and Jim Kohmescher – to the 2021 Annual Meeting to help celebrate MMRMA's 40+1 Year Anniversary (our 40-year celebration had to be canceled in 2020 due to the pandemic). These predecessors spoke fondly of their time on the Board and complimented the current leadership on MMRMA's continued success.



Among its many 2021 activities, the Board of Directors declared excess net asset distributions to renewing members (see page 9 for details) and appointed City of Livonia Mayor Maureen Miller Brosnan to fill a vacant Board seat. The Board also resumed in-person meetings in April 2021 after holding them virtually for a year.

Each September and throughout the year, the Board delves deeply into the challenges and opportunities facing public entities – and municipal risk pools – to refine and update the strategic priorities and initiatives that will set the course for MMRMA's future.

These forward-looking priorities include:

- **Addressing hardening reinsurance markets.** MMRMA was born in a time when public entities nationwide sought an alternative to challenging insurance markets, so we have a proven track record of creative problem solving.
- **Leveraging MMRMA's captive, Greenstone Insurance Company, LLC.** (See pages 7–8.)
- **Planning for succession.** The faces of MMRMA are changing, not just among the membership but staff and service providers, too. The Board and executive team are managing these transitions head-on to maintain our standing among public entity risk pools.
- **Enhancing technology.** The Board and team continue to invest time and resources in technology, including member-facing platforms and the business systems that help our departments conduct the daily tasks at MMRMA. A phased approach will see ongoing rollouts of functionality, starting with the launch of our new website and member portal in Fall 2021.



The MMRMA team continues to develop targeted, ambitious projects to fulfill the Board's important strategic priorities.

We extend gratitude to the entire membership, whose loyalty and longevity allow MMRMA to help Michigan public entities do their important work in service to residents across the state.



FINANCIAL INFORMATION

STRONG AND GROWING

CLAIMS FILED BY LINES OF COVERAGE *

	2016	2017	2018	2019	2020	2021
Auto Liability	326	333	399	404	331	203
Auto Physical Damage	685	671	745	749	720	667
General Liability**	823	1,215	1,099	1,101	895	1,068
Property	356	387	410	420	406	387
Data Breach	1	-	4	7	5	11
TOTAL	2,191	2,606	2,657	2,681	2,357	2150

* Not including litigated and notice only claims.

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

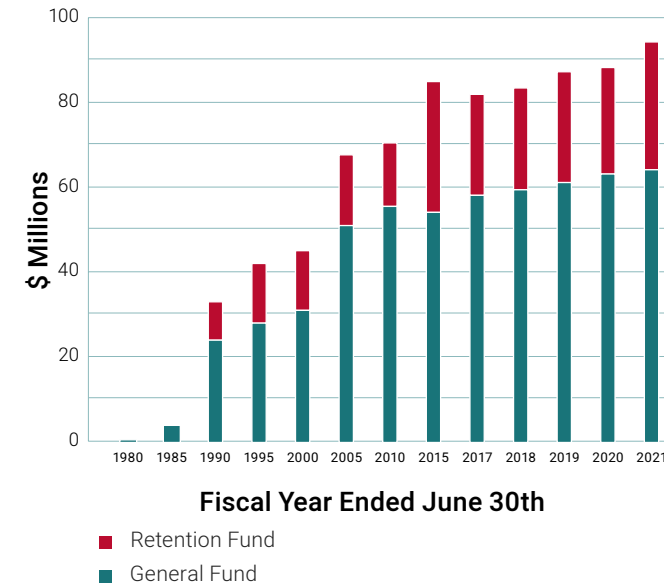
LITIGATED CLAIMS

	2016	2017	2018	2019	2020	2021
Files Opened	347	275	289	389	355	437
Files Closed	306	297	326	329	288	283

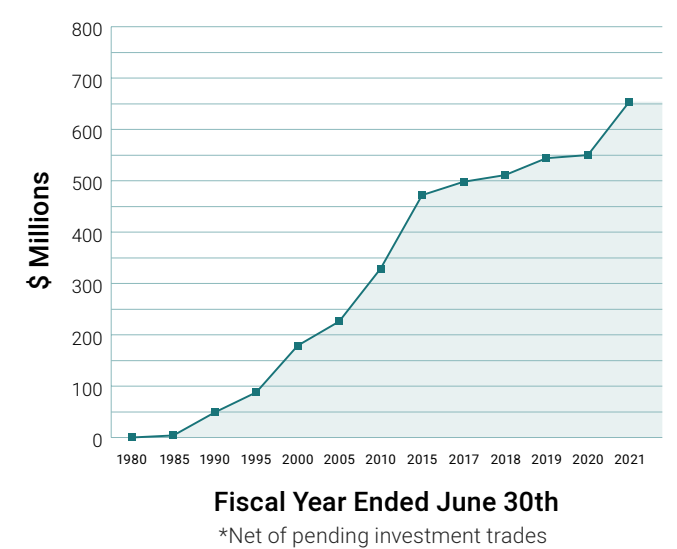
FINANCIAL HIGHLIGHTS

	2016	2017	2018	2019	2020	2021
Member Contributions General Fund and Retention Fund - Gross	\$ 82,519,381	\$ 81,646,595	\$ 83,216,449	\$ 86,633,655	\$ 87,622,429	\$ 94,309,405
Claims and Claim Adjustment Expenses Paid General Fund and Retention Fund - Gross	\$ 39,778,615	\$ 34,674,572	\$ 35,112,562	\$ 34,014,063	\$ 32,999,306	\$ 45,219,255
Net Asset Distributions to Members	\$ 31,814,134	\$ 23,749,971	\$ 29,000,000	\$ 28,000,000	\$ 33,575,603	\$ 23,097,364
Cash and Investments At fair market value (net of pending trades)	\$ 478,439,928	\$ 498,294,239	\$ 510,924,977	\$ 544,067,450	\$ 550,016,229	\$ 655,206,648
Investment Income includes realized and unrealized gains/losses, interest, dividends, change in investment in Greenstone, and other income	\$ 30,010,314	\$ 28,630,398	\$ 25,453,301	\$ 37,107,020	\$ 11,042,883	\$ 109,085,701
Reserves for Claims and Claim Adjustment Expenses Reported and IBNR	\$ 62,886,669	\$ 66,296,258	\$ 65,425,821	\$ 64,748,916	\$ 71,847,448	\$ 71,589,188
NET POSITION						
Net Investment in Capital Assets	\$ 3,650,987	\$ 3,294,151	\$ 3,070,857	\$ 2,602,056	\$ 1,887,656	\$ 2,071,990
Unrestricted Assets	\$ 298,974,109	\$ 313,080,265	\$ 324,245,522	\$ 347,908,274	\$ 333,529,760	\$ 431,773,700
Total	\$ 302,625,096	\$ 316,374,416	\$ 327,316,379	\$ 350,510,330	\$ 335,417,416	\$ 433,845,690

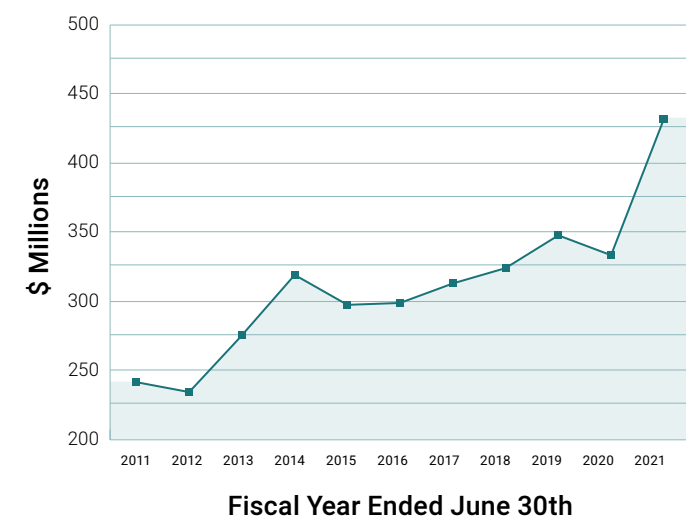
MEMBER CONTRIBUTIONS HISTORY: General Fund and Retention Fund



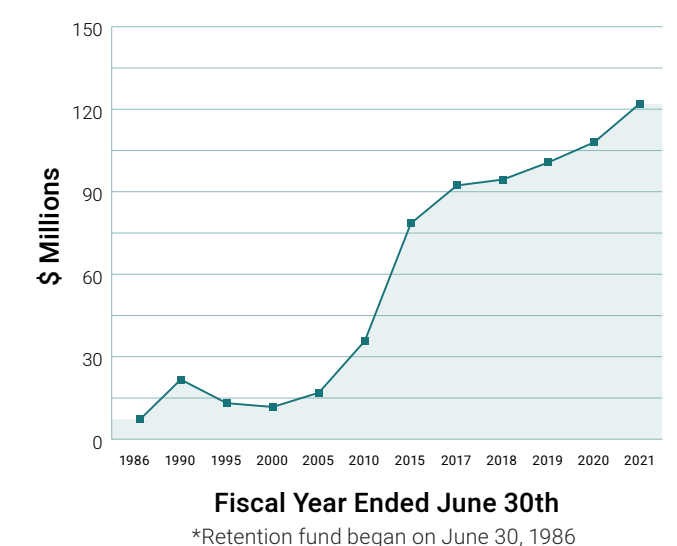
CASH AND INVESTMENTS HISTORY*



UNRESTRICTED NET POSITION



RETENTION FUND BALANCE HISTORY*





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