THE ANNUAL FIFTH THIRD RIVER BANK RUN has been held for over 30 years in the City of Grand Rapids, an MMRMA member since 1995. From a 5K walk to a 25K run, the event offers something for participants at nearly every fitness level. As MMRMA celebrates its ongoing ability to Get Fit and Stay Fit, the River Bank Run symbolizes the dedication of MMRMA and its members to outstanding results, year after year.

River Bank Run photos courtesy of T.J. Hamilton, Grand Rapids Press
In Fiscal Year 2009, Michigan Municipal Risk Management Authority continued its ongoing mission to its members. In pursuit of that mission, MMRMA strives to achieve the highest levels of fitness in every area of its operations. The theme of this Annual Report to members – Get Fit. Stay Fit. – reflects MMRMA’s enduring commitment to the health and well-being of the organization, its membership, and their shared future success.

On a personal level, fitness can mean many different things. There are four fundamental elements that make up any regimen: endurance, strength, flexibility, and balance. But the time and energy spent on each pillar varies widely depending on an individual’s goals. A marathon runner’s fitness relies more on endurance training than that of a ballet dancer. For every pursuit, there is a different prescription for excellence. Even for the majority of us, the non-athletes, priorities can vary widely, from fitting into one’s pants to keeping back pain at bay. These days, there are myriad paths to the holy grail of “fitness.”

In contrast, there is a more definitive path to organizational fitness. For businesses to truly succeed, they must be built on a solid foundation that is equally supported by all four pillars. At MMRMA’s inception in 1980 as one of the nation’s earliest governmental risk pools, its founding members and organizers knew this. From day one, they built MMRMA as a fit organization using the principles of endurance, strength, flexibility, and balance. Since then, those pillars have been upheld through the creativity and dedication of member entities, Board of Directors and committee members, service providers, and staff. They have allowed MMRMA to stay fit, consistently achieving an unparalleled level of excellence.

We are pleased to present this Annual Report to members for Fiscal Year 2009. It is, ultimately, MMRMA’s members that have allowed us to get fit and stay fit for nearly three decades. And reciprocally, our fiscal and organizational fitness are especially valuable benefits of MMRMA membership in today’s economy. Together, we will carry that fitness forward for many years to come.

MISSION STATEMENT: Michigan Municipal Risk Management Authority, a 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.
AS EVERY LONG-DISTANCE ATHLETE KNOWS, ENDURANCE CANNOT BE CULTIVATED OVERNIGHT. Nevertheless, achieving it begins with a single step. And while building a successful organization is more akin to a marathon than a sprint, it also requires that all-important first step. Without it, the rest of the journey would never get underway.

In 1980, a group of forward-thinking people, including representatives of three Michigan municipalities, took the very first steps in the formation of MMRMA. Fortunately for today’s membership, the founders had longevity in mind, and they built the organization upon sound principles and practices that have allowed MMRMA to Get Fit and Stay Fit throughout its nearly thirty years.

From the beginning, MMRMA served its members with the assistance of top-notch financial, claims, legal, risk management, and underwriting professionals who were committed to the organization and its members. A statewide presence was established early on by tapping the services of regional risk managers, most of whom remain a vital part of MMRMA today.

These regional agencies, along with an in-house regional risk manager who was brought on board in 2002, serve as the primary points of contact with member representatives. Together with risk management and underwriting staff, they participate in member recruitment, determination of coverage for members’ assets and operations, and other services.

In its first few years, MMRMA saw steady membership growth, followed by a surge in new members in 1985. In the mid-1980s, the track record and reputation of governmental risk pools was really beginning to take hold, bolstering confidence in this new and innovative solution for municipal insurance coverage. For MMRMA, the growth did not stop there; membership continued to rise steadily. Today there are 352 MMRMA members, almost 170 of which joined the organization in 1985 or earlier. Such extraordinary member longevity truly demonstrates the endurance that contributes to MMRMA’s fitness.

This outstanding, decades-long member loyalty is no accident. It is a direct result of the unparalleled value MMRMA provides to its members. Participants receive far more personalized risk management, claims, and legal services than they could expect from traditional property and liability carriers – and at a much lower expense ratio, thanks to the excellent management of resources by the Board of Directors, Executive Director, department managers, and staff.

A significantly lower percentage of MMRMA members’ contributions go toward paying administrative expenses than in commercial, for-profit insurance companies. MMRMA’s expense ratio is even lower than the average for most other non-profit risk pools. MMRMA’s commitment to keeping overhead costs down means that members are
MEMBER CONTRIBUTIONS
For General Fund and Retention Fund*

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<th>FISCAL YEAR</th>
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<tr>
<td>MILLIONS OF DOLLARS</td>
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<td></td>
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<td></td>
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<td>70.9</td>
<td>71.8</td>
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*Energy Choice Program revenue excluded

getting the most for their contributions, which have remained quite steady over the last several years, despite reinsurance costs and global economic volatility.

Another key component of MMRMA’s unparalleled member loyalty is its enduring commitment to being a member-driven organization. It was established that way and remains so today. Hundreds of individuals from the membership have participated directly in MMRMA’s management by serving on its Board of Directors, standing committees overseeing finance, auditing, and membership, as well as several risk control advisory committees. These participants bring their collective know-how, experience, and ideas to the table, allowing MMRMA to thrive and grow as the needs of Michigan’s municipalities continue to evolve.

The founders’ early vision of MMRMA – as well as the ongoing dedication and contributions of the Board of Directors, staff, and every past and present member contributor – has allowed the organization to grow and to provide the many benefits of membership that are enjoyed today.

The epitome of endurance, MMRMA is here to stay.

“OLD ISH”
This statue has stood in the Ishpeming town square since 1884. The City of Ishpeming is one of MMRMA’s three founding members. “Ishpeming” is a Chippewa word meaning “on the summit.” From its perch near the top of Michigan’s Upper Peninsula, “Old Ish” is a fitting symbol of MMRMA’s longevity. Thanks to those founding members and today’s entire membership, MMRMA has endured as part of the upper echelon of governmental risk pools since its inception in 1980.
MMRMA IS PROOF THAT THERE IS STRENGTH IN NUMBERS – from the formidable ranks of its membership to the sound fiscal management of the entire organization. Strength is an essential component of fitness, and in Fiscal Year 2009, despite challenging economic conditions worldwide, MMRMA's strong financial position remained a vital element of its ongoing success.

As serious practitioners of any sport can attest, one cannot build strength simply by going through the motions. To get and stay strong, organizations – like athletes – must have a solid, proven plan and the determination to follow it through, day in and day out. MMRMA attends to every aspect of its financial conditioning with integrity and a commitment to the organization and the membership.

That commitment begins with MMRMA's Board of Directors, which has identified financial security as one of its seven key program priorities. The other areas identified by the Board as essential for MMRMA's continued fitness include marketing, legal services, and technology.

MMRMA HAS MEMBERS COVERED

The strength of MMRMA is reflected in that of its membership. MMRMA's coverage protects more than 4,000 patrol cars, 500 fire and rescue trucks (including this fine fleet from the City of Northville), and 9,000 other vehicles. Membership-wide, over 5,000 structures are protected under MMRMA's property line. Starting in 2010, MMRMA will begin a comprehensive, multi-year appraisal project to update values, provide reports, and fine-tune pricing for all covered buildings.
The Finance Committee is integral in the establishment and monitoring of MMRMA’s strength-training plan. The committee of member participants meets quarterly and brings its extensive knowledge to bear in recommending financial policies and investment strategies, monitoring performance, and reviewing MMRMA’s financial statements, and investment results.

MMRMA also relies on several reputable, proficient advisors to bolster its financial strength. Towers Perrin analyzes actuarial reserves and helps MMRMA manage its reinsurance program. Asset Strategies Portfolio Services assists in the management of investments. Plante & Moran conducts independent auditing for MMRMA.

With such a foundation in place, MMRMA’s finance staff is able to conduct the business of the organization with efficiency and precision. From accounting to reporting and reconciliations, they manage the day-to-day financial matters that are essential to keeping MMRMA strong and thriving. (See page 7 for a closer look at MMRMA’s experienced, effective in-house finance team.)

Together, these key contributors have allowed MMRMA’s financial status to remain strong, despite challenging economic conditions. Like most organizations, MMRMA did experience unrealized losses on invested assets in Fiscal Year 2009; however, its total return on investments for the year exceeded its benchmarks.

Thanks to that long-term stability, MMRMA continues to deploy net assets for the benefit of members, including the awarding of Risk Avoidance Program (RAP) grants and the payment of vehicle assessments to the Michigan Catastrophic Claims Association (MCCA).

MMRMA has been a strong, fiscally fit organization since its inception, and it is well positioned to remain so into its 30th year and beyond.
WHEN CHALLENGES ARISE – AND THEY ALWAYS WILL – IT REALLY IS SURVIVAL OF THE FITTEST, AND FLEXIBILITY CAN MAKE ALL THE DIFFERENCE WHEN DEALING WITH THE UNEXPECTED. Flexible athletes and organizations alike can withstand challenges and, ultimately, thrive because of them. But without the right degree of flexibility, athletes are more prone to injury and could even see their careers cut short. Organizations like MMRMA are at their fittest when they are responding and adapting to changing conditions, rather than stubbornly resisting them.

Fortunately, MMRMA has made flexibility a cornerstone of its organizational fitness since day one. In fact, its very formation demonstrated the resilience of its founders in the face of unaffordable commercial insurance coverage and lackluster service. Rather than rigidly accepting the available options, MMRMA’s innovative thinkers responded by expanding their notions of what was possible, thereby changing the very landscape of governmental risk from that day forward.

It did not stop there. For nearly three decades, MMRMA has known when things were working for the benefit of the membership – and when changes were necessary. Without flexibility, that evolution would not have been possible.

Starting with the very structure of the organization, MMRMA has demonstrated not just a willingness but an eagerness to evolve in order to better serve its members. At its inception, MMRMA met members’ needs through a group of contract service providers. Marketing, claims, risk management, and accounting were performed by separate companies that specialized in those areas.

Over time, as the membership grew, MMRMA saw that benefits could be realized by centralizing services and creating a cohesive staff. The claims and risk management divisions were brought in-house in the early 1990s, with many longstanding contracted team members joining MMRMA’s ranks to ensure continuity of service.
Most recently, in Fiscal Year 2009, the finance and accounting functions moved in-house as well (see sidebar at right).

MMRMA’s flexibility also means that it never rests on its past successes; instead, it continually seeks ways to give members the best possible value. Products and services have evolved over the years to meet the ever-changing landscape of public risk. A steadily expanding catalog of training and best practices has allowed MMRMA members to enhance their risk control programs and effectively manage and reduce losses.

As MMRMA has grown, it has continually reevaluated the distribution of risk, taking on more risk itself and more efficiently managing the coverage provided through outside reinsurers. MMRMA also participated, along with several other pools, in creating Government Entities Mutual, Inc. (GEM), a captive reinsurance company. Since its formation, GEM has gradually taken on more of the reinsurance layer. Looking ahead, a key strategic goal for Fiscal Year 2010 is to support GEM; with that goal in mind, GEM will provide 100% of the property reinsurance coverage in the $500K to $1 million layer (see chart above).

As MMRMA approaches its 30th anniversary, the organization is as limber as ever. Its future evolution promises to be exciting and rewarding for the entire membership.

Quenneville and Associates, Inc., performed all accounting and treasury services for MMRMA since the organization’s 1980 inception. In 2008, when Q&A owner Paul Quenneville and two of his associates announced their retirements, MMRMA decided to bring another arm of its operations in-house. The new MMRMA finance department is led by Finance Manager Bryan Anderson, CPA; other team members are Tami Weidman, CPA, Linda Alger, and Tina White. The in-house department hit the ground running in January 2009 and has maintained the standards of excellence established and upheld by Q&A for so many years.

MMRMA’s in-house finance team members are [from left] Tina White, Tami Weidman, and Bryan Anderson. (Not pictured: Linda Alger.)
In the big picture of fitness, it can be tempting to cut corners when it comes to balance. But this important element of fitness is not just for high wire acts. From hockey to pole vaulting, athletes in every arena would have trouble succeeding without balance, which provides a sense of both stability and equilibrium. Without these attributes, it can be difficult to make the shot, stick the landing, or even clear the hurdle. The same holds true when it comes to organizational fitness.

Balance – like its counterparts, endurance, strength, and flexibility – cannot be achieved, checked off a to-do list, and forgotten. Constant evaluation and practice is required in order to maintain and fine-tune it. MMRMA has always taken a balanced, multifaceted approach to meeting members’ needs, which has further enabled the organization to provide maximum value to the entire membership.

The well-calibrated partnership between the Risk Control and Claims departments is the most prevalent example of MMRMA’s pursuit of balance. Its dedicated team of risk control consultants, led by Director of Risk Management Chuck Schwab, is on the front lines of the membership. Their quest: to eliminate or minimize occurrences that lead to potential losses.

Risk Control’s arsenal of services includes evaluations of member sites and departments, a wide array of training courses and materials, model policy brochures, and, most recently, an online training pilot project to bring know-how to the membership more quickly and with fewer costs.

Risk Avoidance Program (RAP) grants were introduced over 10 years ago to help members fund risk management initiatives and training and certification costs. This innovative idea was not only well received by the membership, it continues to grow, bolstering the effectiveness of the risk management program even further.

Of course, even with such an extensive array of risk control methods, incidents do occur that lead to the filing of claims. Under the leadership of Director of Claims Michael Ellis and his team, MMRMA has been able to improve outcomes and reduce the impact of losses.

[From left] MMRMA’s Director of Risk Management Chuck Schwab and Director of Claims Michael Ellis.
TRaInIng TaKEs aIM aT losses

MMRMA’s risk management training courses have received industry accolades as well as the positive feedback of attendees. Many of these classes are offered multiple times, which allows new trainees to attend and past participants to keep up with the most cutting-edge knowledge and skills. Above, Sgt. Daniel Danaher of the Livonia Police Department instructs fellow Livonia officer Mike Bertha on advanced firearm skill in MMRMA’s Tactical Encounters training course.

Ellis and Claims Manager Elaine Wood, MMRMA’s team of seasoned adjusters is always at the ready to process those claims.

MMRMA also relies on the expertise of its contract law firms and in-house Senior Claims Attorney Tim Belanger to help determine the best approach for each situation. By weighing each case and working closely with member representatives, MMRMA can often avoid trial through the use of mediation or settlements. Furthermore, in Fiscal Year 2009, over 66% of all liability cases closed were closed with no payment to claimants.

In this way, MMRMA can achieve more successful outcomes, both in preventing losses and in handling those that inevitably occur. The membership can be confident that this stable, balanced approach will continue to serve its needs far into the future.
TO ACHIEVE TRUE, LASTING FITNESS, IT IS ESSENTIAL TO HAVE STRONG, KNOWLEDGEABLE SOURCES OF INFORMATION AND INSPIRATION. Individuals thrive when they work with excellent personal trainers; athletes with the best coaches often realize the greatest achievements in their sports.

Likewise, organizations require truly outstanding leadership in order to Get Fit and Stay Fit. MMRMA has demonstrated exceptional fitness for almost 30 years, and its Board of Directors has been instrumental in that success.

The founders established MMRMA as a member-driven entity, laying the groundwork for the operating structure that remains in place to this day. MMRMA’s longevity has been possible because its leadership is centered within a board of elected representatives from the membership, ensuring that its mission – to serve its members – remains in sight at all times.

The Board of Directors has always featured members with vast knowledge and experience, which has allowed MMRMA to remain strong and fiscally fit. The Board’s own expertise is well balanced by its excellent track record of appointing knowledgeable, committed individuals to MMRMA’s standing committees and considering their input when shaping the organization’s governing policies.

MMRMA’s strong, stable position today is due in large part to the consistently excellent judgment of its Board of Directors.

In Fiscal Year 2009, MMRMA’s membership elected two new people to the Board of Directors, and two additional individuals were appointed to fill the seats of departing members. With four new voices at the table, MMRMA will continue to benefit from innovative ideas while maintaining the historical perspective of the longer-serving Board members.

Together, the Board of Directors has always fostered the flexibility that has allowed MMRMA to Get Fit and Stay Fit throughout changing times and the evolving needs of the membership.
[From left] Richard Burke, Michael Bosanac (Secretary), Triscia Pilchowski, James Kohmescher (Chair), Michael Rhyner (Executive Director), Fabian Knizacky, Kathy Revels, Robert Seeterlin, Michael Dornan, James Scharret (Vice Chair), and Doug Johnson.
### Financial Highlights

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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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<td><strong>Member Contributions - General Fund and Retention Fund - Gross</strong></td>
<td>$65,928,296</td>
<td>$67,436,771</td>
<td>$69,547,762</td>
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<td><strong>Member Losses Paid - General Fund and Retention Fund - Gross</strong></td>
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<td><strong>Distributions to Members</strong></td>
<td>–</td>
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<td>3,696,996</td>
<td>7,573,675</td>
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<td><strong>Investments at Fair Market Value</strong></td>
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<td><strong>Investment Income - includes unrealized gains/losses</strong></td>
<td>20,662,623</td>
<td>15,249,652</td>
<td>12,248,794</td>
<td>37,231,234</td>
<td>(10,619,115)</td>
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<td><strong>Reserves for Claims and Claim Adjustment Expenses - reported and IBNR</strong></td>
<td>80,145,716</td>
<td>84,124,632</td>
<td>96,190,964</td>
<td>89,122,053</td>
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<td><strong>Net Assets</strong></td>
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<td>178,089,488</td>
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