MMRMA IS
YOUR TEAM
Michigan Municipal Risk Management Authority is proud to present the membership with this annual report to members for fiscal year 2008. MMRMA is your team, and its members are its most critical component.

Three founding members – the Charter Township of Redford, Livingston County, and the City of Ishpeming – first teamed up in 1980 to form MMRMA, one of the nation’s first municipal risk pools. These Michigan entities, diverse in location and size, realized that they could join together and create an alternative to the commercial insurance industry.

On most playing fields, new teams are often met with skepticism, and the fledgling MMRMA roster was no exception. But MMRMA and its fellow upstart public pooling entities proved their critics wrong. Today, the proliferation of organizations such as the Public Risk Management Association (PRIMA) and the Association of Government Risk Pools (AGRiP) are testaments to the fact that public pooling was clearly an idea whose time had come – and a proven approach that remains an attractive alternative for municipalities almost a decade into the twenty-first century.

MMRMA remains a vital, award-winning team with a strong risk management offense, world class claims and legal defense, an expert financial team, and excellent leadership and guidance by its Board of Directors. In this 2008 annual report, you’ll find out more about each of these areas and discover how they all contribute to the strength of MMRMA.

Of course, that strength is only possible because of you, the membership. Member retention, loyalty, and support have allowed MMRMA to grow, thrive, and adapt to the ever-evolving playing field of municipal property and liability coverage for over 28 years. With your continued participation, we anticipate many more winning seasons for MMRMA – your team.
AT MMRMA, YOU ARE THE LINEUP, AND YOU MAKE IT ALL POSSIBLE. Unlike commercial insurance companies, MMRMA and other public risk pools are membership organizations comprised of municipal entities that work as a team. As with every successful team, you – the players on the roster – combine your collective resources to create something stronger than the sum of its parts.

MMRMA’s membership is made up of over 320 diverse public entities. Your communities pool their financial resources to secure more coverage options and limits at more affordable prices. You elect MMRMA’s Board of Directors from within your membership ranks to oversee the organization and establish policy.

Furthermore, your communities’ employees strive to control the frequency and severity of liability and property losses, and more than 150 of them also contribute their expertise by serving on MMRMA’s advisory committees in the key areas of finance, membership services, state pool matters, event planning, and many facets of risk control. (See page 3 for a closer look at the accomplishments of MMRMA’s Membership Committee and page 9 for Finance Committee highlights.) The advisory committees are fundamental to MMRMA’s winning strategy.

MMRMA offers its membership two opportunities every year to convene for more intensive coaching and team-building. At the risk management workshop every winter and the annual meeting each August, MMRMA taps the knowledge and skills of member employees, staff, and carefully selected experts to hone the skills of attendees from throughout the membership. Both events also ensure plenty of opportunities for all of these players to interact, network, and share their questions, ideas, and solutions while further building camaraderie and team spirit.

An experienced group of regional risk managers provides marketing and support services to MMRMA and its members, and their hard work recruiting and serving members statewide helps to keep the lineup of MMRMA members satisfied. That loyalty shows in MMRMA’s unparalleled membership retention rates year after year.

MMRMA’s team approach allows members to enjoy the broadest possible liability and property coverage, stable prices, and superior services. The ongoing commitment to excellence that is shared by MMRMA membership, Board of Directors, staff, and service providers has fostered MMRMA’s reputation as one of the most successful teams of its kind.
The Membership Committee, chaired by Doug Johnson, Otsego County Commissioner, meets quarterly to conduct its business, including the review of new MMRMA members submitted by the risk managers.

One of the Membership Committee’s primary responsibilities is to review applications for Risk Avoidance Program (RAP) grants. The committee determines grant awards and amounts. It also established a procedure for uniform processing of common grant requests. Standard RAP grants streamline the application and approval process for common equipment such as in-car cameras, security systems, and TASERs.

The RAP grant for TASER equipment was part of MMRMA’s program on Managing Liability Exposure for Less Lethal Weapons, which earned a 2008 Achievement Award from the Public Risk Management Association (PRIMA). (See page 5 for more information about this achievement.)

The Membership Committee also helps prepare MMRMA’s applications for recognition by the Association of Governmental Risk Pools (AGRiP). The standards for recognition relate to all aspects of a public entity pooling organization, from government regulation to critical components for success in the areas of finance, underwriting, claims, and risk management. A recent addition to the application allowed MMRMA to demonstrate that it requires its Board of Directors, committee members, staff, and service providers to comply with its Ethics Policy.

This certification verifies that MMRMA meets or exceeds all AGRiP advisory standards. MMRMA was the first Michigan pool to earn this designation in 1994, and has been consecutively re-certified ever since. Applications are required, and recognition awarded, every three years. MMRMA has maintained continuous compliance with these standards through the assistance of all of its players, including the hard-working members of the Membership Committee.

### RISK AVOIDANCE PROGRAM GRANTS - BY DEPARTMENT

<table>
<thead>
<tr>
<th>Department</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Law Enforcement/Corrections</td>
<td>71%</td>
</tr>
<tr>
<td>Parks &amp; Recreation</td>
<td>9%</td>
</tr>
<tr>
<td>Fire/EMS</td>
<td>6%</td>
</tr>
<tr>
<td>Administration</td>
<td>12%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>
For any team to succeed, a winning offense is essential. The MMRMA team has always known that property and liability coverages are not enough. From its earliest days, MMRMA’s offensive strategy has also included comprehensive, creative, and cutting-edge risk management measures.

For almost 30 years, MMRMA has been a leader in designing programs and services that help members avoid and mitigate occurrences that can lead to unfortunate and costly claims. MMRMA members, risk consultants, regional risk managers, and other key players work together every day to avoid risk and reduce liability.

Director of Risk Management Chuck Schwab and MMRMA’s risk control consultants bring decades of experience to the playing field in the areas of law enforcement, corrections, public works, fire and EMS, parks and recreation, and administration. Their expertise allows them to provide thorough, focused assessments of members’ practices and facilities to identify potential risks and make recommendations for reducing liability exposures.

The consultants also serve as liaisons on MMRMA’s risk control advisory committees. Together, the member employees and risk consultants develop brochures, model policies, DVDs, and other tools to help the larger membership address and manage risk.

Training has long been an MMRMA hallmark. By tapping the knowledge and skills of its risk control consultants, defense attorneys, members, and outside experts, MMRMA provides invaluable training sessions addressing many of the challenges faced by municipalities and their employees.

Another of MMRMA’s signature services is the Risk Avoidance Program (RAP). Since RAP’s inception over ten years ago, MMRMA members have been able to apply for RAP grants to foster innovative risk management projects to reduce losses. With a steady stream of applications, an increased budget in 2007, and new grant opportunities added each year, RAP is the “go-to” call in the MMRMA playbook. Since its inception, the Risk Avoidance Program has provided over $5 million in direct grants to members.
Of course, as Schwab points out, the benefits of RAP, like any risk management technique, are hard to measure. “If we could print an ‘avoided loss run’ report, I am sure it would show that these grants are more than making up for the losses they prevent. We see our losses dropping year to year, and it’s a logical conclusion that RAP has been a key factor.”

There are some indicators that MMRMA’s outstanding risk management offense is quite effective. The graph at the far right, for instance, shows incidents of excessive force by MMRMA members over a five-year period. After spiking to 125 in 2004, the occurrences dropped dramatically in the subsequent three years, to just 49 in 2007.

Schwab and MMRMA credit that sharp improvement in large part to the successful management of liability exposure relating to member use of TASERS, electro-muscular disruption devices that allow law enforcement officers to disable and apprehend subjects without using more extreme force.

MMRMA uses a multi-faceted approach to manage members’ safe, effective use of these “less lethal weapons” – a standardized TASER RAP grant, a video promoting safe, effective use of TASERS, and a model policy and procedure for their implementation. To qualify for the RAP funding, members must meet several requirements, including compliance with the model policy, annual training of officers in the use of force, and written copies to MMRMA of all TASER use incidents.

In 2008, MMRMA’s TASER project earned an Achievement Award for First Place in the Pooling Category from the Public Risk Management Association (PRIMA). This recognition, along with the decrease in occurrences of excessive force among MMRMA members, illustrates the value and effectiveness of MMRMA’s risk management of excessive force exposure. Clearly, MMRMA’s overall risk control programs remain at the top of its offensive game.
NO MATTER HOW STRONG ITS OFFENSE, A TEAM CANNOT RELY ON THAT ALONE TO ACHIEVE VICTORY. IT MUST HAVE AN EQUALLY STELLAR DEFENSIVE LINE. In the public risk game, even the best, most comprehensive risk management practices cannot prevent all losses. Claims will occur. And when they do, MMRMA’s claims staff and legal partners are there on defense, making sure MMRMA and its members are protected.

“Together everyone accomplishes more,” says Director of Claims Michael Ellis in describing one way to define what it means to be a team. The acronym really does capture the essence of a team, whether it is playing the game of rugby or municipal risk management. When players work together, rather than focusing on their individual goals, they increase the odds of success for the team as a whole.

The longevity of the claims lineup means that they have a unique historical understanding of the MMRMA membership and the various kinds of claims facing municipalities. In processing claims, the adjusters draw on each other’s expertise as well as that of the members, attorneys, and risk management staff. Claims Manager Elaine Wood and Senior Claims Attorney Tim Belanger work closely with adjusters and attorneys to ensure efficient, effective teamwork. Favorable outcomes for members is the result of this team approach.

The MMRMA team has long included two principal legal firms, Cummings, McClure, Davis & Acho, PLC, and Johnson, Rosati, LeBarge, Aseltyne & Field, PC. Between the two, they handle the bulk of MMRMA’s defense litigation, working with adjusters and members to resolve claims as efficiently as possible via resolution, settlement, or litigation.
Fiscal Year 2008 saw further progress toward new information systems, and claims administration is the first piece in the implementation process. Technology will continue to offer the claims staff another tool in its defensive playbook, allowing them to more quickly and efficiently process claims, gather data, prepare reports, and otherwise provide the excellent service that MMRMA members have come to expect.

As far as dealing with the inevitable claims, our team ensures that the defense is strong by knowing what is coming. To that end, Ellis makes it a practice to study and analyze trends and share his findings. He culls information from the MMRMA team of risk consultants, claims adjusters, lawyers, and members, as well as breaking news in litigation, claims, and even the makeup of the Michigan Supreme Court. Keeping MMRMA’s defensive line aware of what they may expect in upcoming face-offs, he helps lay the groundwork for continued success.

MMRMA’s experienced claims and legal players bring their collective experience and know-how into play to defend and manage claims and litigation. Thanks to their teamwork, MMRMA will certainly maintain its winning streak.
All successful teams benefit from sound financial management of their resources, along with a thorough and accurate accounting of their performance. MMRMA is no exception, and from its origins, it has been fortunate to draw on the talents and contributions of an outstanding group of experts for all facets of its financial health and professional accounting.

Quenneville & Associates, Inc., led by Paul Quenneville, CPA, has performed all accounting and treasury services for MMRMA since 1980. In FY 2008, Quenneville, along with Finance Manager Kathy Ryba and Accountant Judy Holcomb, announced their impending retirements, and MMRMA embarked on a new chapter in its history. Beginning in January 2009, all accounting functions will be handled by an in-house finance team that will follow the excellent example set by the Quenneville team for 28 years.

Strict auditing, bookkeeping and reporting protocols ensure that MMRMA consistently meets or exceeds all applicable accounting rules and standards. By demonstrating sound accounting practices and strong financial health, MMRMA remains positioned to meet its current and future obligations, secure needed reinsurance, and maintain a solid investment program.

To those ends, MMRMA continues its ongoing partnerships with an array of other financial advisors and service providers, including Towers Perrin, which serves as an intermediary for MMRMA’s reinsurance program and conducts actuarial reserve analyses, Asset Strategies Portfolio Services for management of MMRMA’s investments, and Plante & Moran for independent auditing services.

These longstanding partnerships, along with the expertise of the finance team, have enabled MMRMA to maintain its strong financial position and assure adequate revenues to pay member claims in the unpredictable future. All of these factors contribute to the strength of the entire team. That strength will allow MMRMA to have winning seasons for many years to come.
by the Board of Directors and the Finance Committee, that loss did not diminish MMRMA’s ability to meet its current and future obligations. MMRMA’s net asset position continues to be very strong.

Thanks in part to the Finance Committee’s input and oversight, MMRMA is able to deploy net assets to its members in various ways, including RAP (Risk Avoidance Program) grants, vehicle assessments to the Michigan Catastrophic Claims Association (MCCA) and, since 2006, direct distributions to members. (See pie chart.)

Financial security is one of seven key program priorities recently identified by MMRMA’s Board of Directors in its program budget. With the assistance of the MVPs on the Finance Committee, MMRMA will continue to achieve this goal year after year.

**Finance Committee in Action**

The Finance Committee is made up of seven member appointees who review MMRMA’s financial data, including statements, budget, and investment strategies and performance. The Finance Committee is chaired by Jack LaBelle, a 40-year commissioner from Livingston County and a founding MMRMA member. LaBelle has contributed to MMRMA’s success since its earliest days, and his commitment and knowledge, along with that of the other committee members, has been invaluable to MMRMA’s excellent financial performance.

That excellence continued in Fiscal Year 2008, despite challenging international economic conditions. The tumultuous markets did impact investments, and while MMRMA saw a loss on invested assets in FY 2008 after many years of gains, overall total return has been excellent. Fortunately, thanks to sound fiscal management...
OUTSTANDING TEAMS CAN ONLY TRULY THRIVE IF THEY HAVE A FIRST-RATE ORGANIZATIONAL STRUCTURE. The most effective directors are those who, through policy development, foster the coordination of offense, defense, and the many other aspects of the game to maximize wins and create a unified team spirit. MMRMA’s Board of Directors certainly fits the bill, delivering intelligent, experienced policy decisions and oversight on behalf of the entire membership.

As a member-driven and member-governed pool, MMRMA has an added advantage. The team – the membership – elects the Board from within its own ranks, which gives them a significant investment in its decisions and guidance. Furthermore, the Board’s makeup is designed to reflect the larger membership, with four designated individuals each hailing from one of the four primary types of MMRMA entity – city, county, township, and State Pool member.

The Board members’ collective longevity and range of experiences in municipal governance allow them to serve the diverse membership fairly and effectively. MMRMA’s Board includes elected officials and appointed individuals from a variety of public entities and departments. This breadth and depth encourages healthy debate and discussion on every issue facing the Board, which means better solutions for the benefit of the entire team.

MMRMA’s Board of Directors, like all good team leaders, know that past achievements do not ensure future wins. Every season, every year, they evaluate economic conditions, investment results, changes in federal, state, and local governmental policy, and other elements of the big picture that effect Michigan municipalities. Then they determine a course for MMRMA’s continued success.

In FY 2008, the Board continued its strategic planning initiatives, including the overhaul of MMRMA’s governance polices. Over a dozen policies – including the Joint Powers Agreement, Board Election procedures, and a Code of Conduct – have been revised or introduced in order to create an effective, practical guiding document. These policies constitute MMRMA’s playbook for continued excellence.

The Board of Directors has also taken an innovative new approach to steering MMRMA to victory, identifying seven key program priorities to help guide the expenditure of the operating budget. These priorities are:

- Membership Retention and Growth
- Financial Security
- Claims and Legal Services
- Information, Education and Training
- Risk Control Field Service
- Technology
- New Products and Services

Technology and new products, in particular, have had renewed attention by the Board and MMRMA in recent years. Ongoing and future technology initiatives in the areas of claims, underwriting and policy administration, communications, and documentation will give the MMRMA
team the latest and most effective tools for success.

If there is one thing the MMRMA team can count on from its Board of Directors as it faces upcoming seasons, it is a commitment to serving the entire membership. With that goal always firmly in place, the Board is sure to develop more innovative approaches and creative solutions in municipal risk management, whatever the future holds.

(From left) Michael Welsch (Secretary), James Kohmescher (Chair), James Scharret (Vice Chair), Thomas Yack, Robert Seeterlin, Cynthia King, Leonard Peters, Richard Burke, Michael Dornan, Michael Rhyner (Executive Director), and Michael Bosanac.
### ClaimsFiled by Lines of Coverage

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<th>Lines of Coverage</th>
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<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>Auto Liability</td>
<td>880</td>
<td>632</td>
<td>513</td>
<td>372</td>
<td>350</td>
<td>391</td>
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<tr>
<td>Auto Physical</td>
<td>693</td>
<td>672</td>
<td>656</td>
<td>661</td>
<td>615</td>
<td>662</td>
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<tr>
<td>Gen Liability</td>
<td>1,180</td>
<td>1,515</td>
<td>1,220</td>
<td>1,015</td>
<td>1,160</td>
<td>1,128</td>
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<tr>
<td>Property</td>
<td>366</td>
<td>314</td>
<td>311</td>
<td>340</td>
<td>366</td>
<td>415</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>3,119</strong></td>
<td><strong>3,133</strong></td>
<td><strong>2,700</strong></td>
<td><strong>2,388</strong></td>
<td><strong>2,490</strong></td>
<td><strong>2,596</strong></td>
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### Litigation

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<tr>
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<th>2003</th>
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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tr>
<td>Files Opened</td>
<td>445</td>
<td>481</td>
<td>490</td>
<td>391</td>
<td>349</td>
<td>320</td>
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<tr>
<td>Files Closed</td>
<td>493</td>
<td>522</td>
<td>576</td>
<td>491</td>
<td>468</td>
<td>352</td>
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### Financial Highlights

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<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td><strong>Member Contributions</strong></td>
<td>$56,555,239</td>
<td>$64,921,494</td>
<td>$66,503,988</td>
<td>$68,119,805</td>
<td>$69,407,803</td>
<td>$70,045,934</td>
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<tr>
<td><strong>Investments</strong>*</td>
<td>171,235,882</td>
<td>208,492,282</td>
<td>226,156,073</td>
<td>259,786,976</td>
<td>305,107,090</td>
<td>306,841,135</td>
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<tr>
<td><strong>Investment Earnings</strong>**</td>
<td>7,241,931</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>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>76,437,978</td>
<td>104,635,137</td>
<td>130,131,536</td>
<td>139,336,511</td>
<td>186,424,676</td>
<td>178,089,488</td>
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<tr>
<td><strong>Member Losses Paid</strong></td>
<td>37,633,069</td>
<td>29,002,473</td>
<td>38,558,747</td>
<td>28,266,494</td>
<td>34,791,817</td>
<td>31,975,392</td>
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* At fair market value
** Includes unrealized gains and losses