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.
WE ARE PROUD TO PRESENT MICHIGAN MUNICIPAL RISK MANAGEMENT AUTHORITY’S ANNUAL REPORT FOR FISCAL YEAR 2006. It has been an exciting year at MMRMA and, as always, the Annual Report is a place to reflect on the successes of the past year and cast an eye to the future. From the distribution of excess net assets – a total of $3.7 million returned to Members – to the continued success of Risk Avoidance Program (RAP) grants, MMRMA has been working hard to protect its Members and their communities.

At MMRMA’s 2006 Annual Meeting in August, we demonstrated that MMRMA is your safety net. In reflecting on the meaning of “safety net,” we turned to Webster’s Dictionary, which provided the definition below.

MMRMA embodies both of these definitions. While we have not literally provided a net for trapeze artists, MMRMA provides an array of services – from training to mediation – that protect its Members, helping them to avoid loss exposures and to minimize the damage when losses do occur. And, like a trapeze artist, MMRMA Members can perform their responsibilities with confidence, knowing that, should they need it, the safety net will be there to catch them when they fall.

This Annual Report to Members reinforces the role of MMRMA as your safety net. We hope you enjoy it. And, as always, we thank you for your continued commitment to MMRMA.

safety net n. 1. A large net for catching one that falls or jumps, as from a circus trapeze. 2. A guarantee, esp. of financial security.
In many ways, MMRMA Members form the very safety net that protects them. Their pooled resources provide MMRMA with the financial strength to protect each Member against losses and claims. That solvency has been an essential part of MMRMA’s longevity and its reputation.

Of course, Members’ contributions are not just financial. More than 150 representatives from Member entities actively participate in governing MMRMA, serving on its Board of Directors, State Pool Board, and standing and advisory committees. Their dedication to MMRMA and their efforts alongside the staff and service providers have succeeded in making MMRMA a leader in public entity pools for over 26 years.

The State Pool consists of 210 government entities which, combined, function as a single Individual Member. The State Pool is represented by a nine-member State Pool Board and a designated State Pool representative on the MMRMA Board of Directors. Michael Welsch of Iosco County currently holds the designated seat.

MMRMA’s three standing committees – Membership, Finance, and Audit – are integral to the governance of MMRMA. Their members make recommendations to the executive director and the Board. The Membership Committee reviews membership applications and considers Risk Avoidance Program (RAP) grant applications. It has the authority to approve the grants and to recommend new Members to the Board.

In 2006, the Finance Committee worked diligently to bring the Net Asset Policy to fruition, and their efforts on that project paid off for MMRMA Members, with excess net asset distributions totaling $3.7 million. This committee also reviews MMRMA’s investments and budgets, helping to maintain the organization’s strong financial health.

The Audit Committee oversees and reviews all MMRMA audits, including the independent annual audit of financial statements and the annual actuarial analysis of retained risk.
Some of Michigan’s largest government entities make up MMRMA’s roster of 114 Individual Members, including founding communities Redford Township, the City of Ishpeming, and Livingston County. Individual Members account for the majority of all general fund contributions. In addition, each Individual Member maintains a separate self-insured retention. Retaining risk in the first layer encourages Members to place a high priority on risk management and controlling loss. This, in turn, reduces risk and benefits the entire MMRMA Membership.

The State Pool consists of 210 smaller governmental units, including a variety of public entities such as sanitation authorities and government medical facilities. The State Pool gives these entities access to the benefits of MMRMA membership. The State Pool functions collectively as a single Individual Member and maintains a collective retention fund. The State Pool is represented by a nine-member board, and Michael Welsch is the designated State Pool representative on MMRMA’s Board of Directors.

An additional 20 Affiliated Members form the Michigan Community College Risk Management Authority, which contracts with MMRMA for certain services.
Members also make up eight advisory committees: administrative, parks and recreation, department of public works, law enforcement (lower and upper peninsulas), court security, fire/EMS, and telecommunications. These advisory committees develop and produce risk management resources such as brochures and model policy/procedures, thereby bringing education and training tools to the membership at large.

MMRMA provides two formal networking and training opportunities for Members each year: the Annual Meeting in summer and the Risk Management Workshop in winter. Thanks to Member feedback and the hard work of MMRMA staff and service providers, these events have evolved over the years to best meet attendees’ needs. In 2006, vendor demonstrations were added to the roster at the Annual Meeting, a benefit that allowed Members and their guests to observe and learn more about the use of TASERs and weapons simulator training systems for law enforcement officers.

MMRMA has long relied on contracted regional risk managers across Michigan who provide marketing and Member support services. In 2002, MMRMA also added an in-house risk manager, Boyd Smith, giving Members the option of receiving support directly from MMRMA staff. This addition allowed MMRMA to continue its longstanding practice of tapping the skills of outside service providers to expand its circle of experts, while at the same time strengthening the internal staff of MMRMA.

MMRMA’s success as a pioneer in public risk pools, and its longevity, is due, in large part, to the longstanding nature of the membership. 125 Members have participated in MMRMA for over 20 years and an additional 41 for at least 15. Such loyalty is clearly a testament to the satisfaction and peace of mind MMRMA Members have come to expect.

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At MMRMA’s 2006 Annual Meeting, Members enjoyed another excellent program, which they have come to expect from this important training and networking opportunity. Some highlights included:

- **A dynamic and motivational keynote address by former Detroit Piston Walter Bond**

- **A Resource Room stocked with DVDs, brochures, and other tools, and staffed by MMRMA’s knowledgeable risk management team**

- **Vendor demonstrations by:**

  - Michigan Mobile Ranges, a Livonia-based firm that has provided weapons simulation training to MMRMA Members. Owner Ed Gillespie brought his state-of-the-art software and equipment to give Members a truly interactive introduction to his program.

  - Representatives from Michigan TASER Distributing and TASER International. Their truck was loaded with hands-on displays and videos designed to help Members better understand the proper and effective use of TASERS.

The addition of vendor demonstrations at the 2006 event is just one example of how MMRMA continually seeks to improve services to its Members, at its Annual Meeting and throughout the year.
Like any successful safety net, MMRMA has been tested and proven effective at helping Members manage risk. The liability and property coverage provided by the pooling of Members’ resources provides protection when losses occur. Of course, it is most advantageous to prevent or reduce the occurrences that lead to claims in the first place. In order to do that, MMRMA has made risk management one of the essential components of its program since its inception.

MMRMA’s risk management team puts its specialized knowledge and vast network of associates to work for Members every day. The risk control consultants have years of experience working in the areas of law enforcement, jails, public works, fire and EMS, public safety, administration, and parks and recreation. That experience allows them to provide efficient assessments of Members’ risks and make recommendations for reducing liability exposures.

Together with the advisory committees for which they serve as liaisons, the risk control consultants also create state-of-the-art resources such as brochures, model policies and procedures, and DVDs. They also coordinate cutting-edge training opportunities for Members, on both administrative and operational practices. These resources and services enable Members to prevent and mitigate losses while ensuring the safety and protection of their employees and their communities.

The Risk Avoidance Program (RAP) supports the model of risk avoidance and prevention. Members can apply for RAP grants to help them fund MMRMA training sessions, outside training and certification programs, departmental improvements, equipment, and more. These funds are well-spent, says MMRMA’s Director of Risk Management Chuck Schwab.

“RAP has been a terrific tool for helping Members avoid losses and improve services to citizens,” says Schwab. “Of course, the benefits of risk management are hard to measure. If we had the ability to print an ‘avoided loss
run’ report, I am sure it would show that the avoided losses and resulting expenses saved would far exceed the RAP awards paid to MMRMA Members.”

Several RAP grants have been so well-received that they became, in effect, “pilots” for standard RAP grants, such as those for in-car cameras, video arraignments, and building security. The standardized grants provide guidelines that help streamline the application and approval process, making everyone’s job easier, including that of the Membership Committee.

“Even one large loss prevented may equal the RAP dollars paid,” Schwab points out. “When you factor in the human trauma spared, there is no doubt the program works. I have to thank MMRMA’s Board of Directors for their ongoing support of the program, and the Membership Committee for their diligence in considering the merits of each application.”

The successful programs and services have been invaluable to Members. Still, the risk management department has never rested on its laurels. An integral part of MMRMA, these professionals continually seek out new programs, services, and opportunities to reinforce the safety net and ensure that it will protect Members for many years to come.

“Even one large loss prevented may equal the RAP dollars paid. When you factor in the human trauma spared, there is no doubt the program works.” — Chuck Schwab
While MMRMA’s staff and Members work diligently to avoid risk and losses whenever possible, claims still occur. When they do, Members will continue to find themselves protected by another element of the safety net—the capable, experienced claims department.

According to Director of Claims Michael Ellis, “Continuing education is one of the contributing factors in the team’s success.” Claims staff credentials are indeed impressive. They include two Juris Doctors, three Chartered Property Casualty Underwriters, five Registered Professional Adjusters, four Associates in Claims, and two Associates in Risk Management. The list goes on—and keeps growing. “Not only do these credentials improve our knowledge base, they allow us to interact with professionals—in insurance and other fields—who continually challenge and enlighten us,” Ellis adds.

In addition to their professional credentials, MMRMA’s claims team also brings decades of experience to the table, both prior to and while working for MMRMA. Ellis and Claims Manager Elaine Wood have worked together for almost twenty years, and their commitment to MMRMA is reflected in the longevity of the claims adjusters and other staff. Collectively, the claims team has worked for the organization for over 103 years. Their ability to communicate effectively—with each other, with staff in other departments, and with Members—shows the value of that shared history.

And communication is key. The adjusters have frequent contact with the Members that they serve, and their longevity at MMRMA has allowed them to build relationships with those Members and learn the ins and outs of each community.

Internal communication—within claims and within MMRMA as a whole—is also vital to the success of the safety net. It involves regular meetings, both formal and impromptu. The adjusters regularly seek out their colleagues’ opinions, knowing that a slightly different perspective could make every difference in trying to resolve a claim to everyone’s satisfaction.
Finally, communication with the extended legal team assisting MMRMA ensures that cases are mediated effectively and settled whenever possible, or, in cases that do end up in trial, that Members are well represented. MMRMA’s adjusters and Senior Claims Attorney Tim Belanger work closely with Ellis and Wood to assign defense counsel based on the best interests of Members and the attorneys’ areas of expertise.

While MMRMA taps several law firms to provide defense services to Members, about 80 percent of defense litigation is handled by two law firms, Cummings, McClorey, Davis & Acho, PLC, and Johnson, Rosati, LaBarge, Aseltyne & Field, PC. Lawyers from these principal firms have been providing counsel to MMRMA Members since its inception. Again, that history promotes streamlined communication and an extraordinary understanding of MMRMA, its Members, and the challenges they face.

According to Belanger, a strong focus on alternative dispute resolution has led to many of the team’s successful outcomes. While some lawsuits must be decided by a jury at trial, many others can and should be resolved by the involved parties crafting their own solutions. Belanger points to two cases involving multimillion dollar claims that were ultimately resolved favorably through a series of facilitations.

“The downriver sewer case featured 6,000 flooded basements in several communities,” Belanger says. “Another case involved an oil well drilling company that wanted to drill in a Member’s residential area. In both cases, we were able to negotiate resolutions that were quite advantageous, and probably wouldn’t have been possible had the cases gone to trial.”

Negotiations require the participation of MMRMA staff, legal counsel and, of course, the Members. “The cooperation and assistance of Members’ decision makers, employees, and legal staffs have been paramount to the success of these resolutions,” Belanger adds. “We couldn’t do it without them.”

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MMRMA would not be able to serve as a safety net to its Members were it not for the organization’s exemplary management of its financial assets. That management involves many interrelated components, including a strong investment portfolio, the layer of insurance coverage provided directly by MMRMA, and the procurement of reinsurance for higher layers from A rated reinsurance firms.

Given the complexity of the financial tasks at hand, it takes the skills and involvement of people throughout MMRMA and a number of proven service providers to effectively accomplish those tasks. Since MMRMA’s inception in 1980, Quenneville and Associates, Inc. (Q&A) has performed all of the organization’s accounting services. In fact, the firm’s principal, Paul Quenneville, CPA, helped lay the groundwork for MMRMA when it was in the planning stages. Three Q&A employees – Kathy Ryba, accounting manager, Judy Holcomb, and Tami Weidman – work full time in the MMRMA offices alongside the staff.

Quenneville and his team work closely with MMRMA’s Executive Director Michael Rhyner, the Finance Committee, and the auditing, actuarial, and investment firms that round out the team of experts safeguarding MMRMA’s financial health.

In 2006, the Finance Committee worked for the first time to create a Net Asset Policy for MMRMA, which outlines recommended levels of net assets based on a variety of criteria. Based on the new policy, MMRMA’s Board of Directors issued, for the first time ever, an excess net asset distribution to Members. This historic distribution, totaling $3.7 million, was welcome in a difficult economic climate for Michigan municipalities, and it effectively illustrates MMRMA’s commitment to innovation, evolution and, above all, Member satisfaction.

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In addition to that important project, the Finance Committee continues to work closely with Quenneville to review MMRMA’s annual budget, quarterly financial statements, and investment results.

Strong investments are a leading contributor to the level of assets that allowed MMRMA to provide the excess net asset distribution to Members. Asset Strategies Portfolio Services, Inc., continues to provide investment consulting services to the executive director and the Finance Committee and to monitor the performance of MMRMA’s investments.

Towers Perrin Reinsurance has served as MMRMA’s reinsurance intermediary since 1991. Its participation, along with MMRMA’s financial strength, allows MMRMA to secure reinsurance from some of the best-rated providers in the business and thereby offer liability limits of up to $15 million to its Members. Tillinghast, a Towers Perrin company, conducts the annual actuarial analysis of MMRMA’s retained risk. In 2005, independent accounting firm Plante & Moran recently began providing its services, conducting audits of MMRMA’s annual financial statements.

Another way in which MMRMA maintains the financial strength of the safety net is its commitment to a pricing strategy that provides adequate revenues. This allows MMRMA to meet its obligation to pay Member claims for many years to come. Thanks to the underwriting staff’s longevity, they understand Members’ needs. MMRMA has met those needs throughout its history despite ever-evolving reinsurance market conditions.

MMRMA offers its Members customized coverage options, including a range of liability coverage per occurrence limits and several self-insured retention alternatives. Thanks to the hard work of MMRMA’s underwriting team, MMRMA’s membership remains strong, with 347 Members.
MMRMA knows the importance of keeping its Members informed. The better they understand their safety net, the more confidence they will have in its ability to protect them. Through traditional print materials, as well as through the innovative application of technology, MMRMA continually strives to provide Members with a wealth of information about the organization and with easy access to their data.

In 2006, the MMRMA staff, including Information Systems Manager Patrick Cummings, began work on an extensive retooling of the technological systems that form the internal workings of MMRMA, from claims procedures to underwriting processes, Member reports, and a host of other data and information.

“The planned improvements to our systems will benefit not only the MMRMA staff, but also our Members and service providers. More information will be available in a much shorter time frame.” — Patrick Cummings

Technology is also helping facilitate communication. Recognizing that more and more people spend much of their time working at computers, MMRMA...
COMMUNICATIONS AND TECHNOLOGY

offers a host of publications in digital form on its website, and plans are underway to improve the site, allowing Members to more easily access the reports, data, and publications that most interest them.

Of course, MMRMA has not turned its back on printed communication methods. Most people find a certain satisfaction in reading something that they can hold in their hands. With that in mind, MMRMA will continue to provide the quarterly Risk Journal with news about MMRMA’s Members and staff, operations, and innovations, as well as state legislative developments, service provider updates, and more.

The communications and technology staff are always working to ensure that they are presenting information and materials in the forms that are most beneficial to Members, so some regular communication tools may become consolidated, streamlined, or redesigned in the future. But what will always remain strong is MMRMA’s commitment to providing first-rate, technologically sound tools and communication media for its membership. Whatever forms they take, these tools and media will keep Members apprised of MMRMA’s programs and benefits.
MMRMA has always been a Member-governed organization, and its Board of Directors—elected of the membership, by the membership—provides the framework that supports the safety net. These ten individuals share their experience, skills, and resources to create a Board that is greater than the sum of its already impressive members. Together, they address the matters facing MMRMA today and, more importantly, shape the organization’s future through bold initiatives, strategic planning, and decisive leadership.

In many ways, the Board reflects the larger membership of MMRMA. This is done in part by design, of course. Of the nine Board members elected by the Individual membership, three are designated seats representing a county, a city, and a township. The tenth Board member is elected by the State Pool membership to represent their interests on the Board. Beyond the designated seats, which ensure that MMRMA Members of every variety are represented, the Board as a whole reflects other aspects of MMRMA’s diverse membership. They come from across the state. They hold a variety of positions in their Member communities, including township supervisor, director of human resources, and director of administrative services. And they bring a variety of perspectives to the board room, eloquently presenting their positions and listening to those of their colleagues.

That dynamic interchange continues to yield real, significant accomplishments. The Board’s most notable achievement in 2006 was its authorization of a $3.7 million excess net asset distribution to Members. Building on the diligent work of MMRMA’s Finance Committee, which created a Net Asset Policy for the organization, the Board was proud to announce this historic distribution to the membership at the 2006 Annual Meeting. Because each Board member knows what challenges they face in their own communities, they are familiar with the hurdles faced by other MMRMA Members. The distribution was a way for them to directly affect the entire membership with a positive, tangible solution to some of those challenges.

Other work on the Board’s plate includes continued revision of MMRMA’s Joint Powers Agreement and Administrative Rules, by which the organization is governed; strategic planning; and other cutting-edge measures for ensuring MMRMA’s success—and the success of its Members—in the coming years. The Board works closely with the standing committees and Executive Director Michael Rhyner to seek out and develop opportunities to strengthen MMRMA. For example, the Board has played an integral role in the formation of the Association of Governmental Risk Pools (AGRiP), a national institution in its own right, and, more recently, Governmental Entities Mutual, a reinsurance company for public entity pools that is partly owned by MMRMA.

As Members continue to rely on the safety net of MMRMA, they can have confidence in the group of people that they have elected to lead the organization. The Board of Directors is working for MMRMA—and its Members.
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<th>Claims Filed by Lines of Coverage</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tr>
<td>Auto Liability</td>
<td>463</td>
<td>341</td>
<td>880</td>
<td>632</td>
<td>513</td>
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<tr>
<td>Auto Physical</td>
<td>729</td>
<td>763</td>
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<td>General Liability</td>
<td>1,849</td>
<td>1,495</td>
<td>1,180</td>
<td>1,515</td>
<td>1,220</td>
<td>1,015</td>
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<tr>
<td>Property</td>
<td>331</td>
<td>326</td>
<td>366</td>
<td>314</td>
<td>311</td>
<td>340</td>
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<td><strong>TOTAL</strong></td>
<td><strong>3,372</strong></td>
<td><strong>2,925</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>
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<td>Files Opened</td>
<td>594</td>
<td>526</td>
<td>445</td>
<td>481</td>
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<td>391</td>
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<tr>
<td>Files Closed</td>
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<td>739</td>
<td>493</td>
<td>522</td>
<td>576</td>
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<th>Financial Highlights</th>
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<th>2005</th>
<th>2006</th>
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<td>Member Contributions</td>
<td>$45,406,745</td>
<td>$51,831,698</td>
<td>$64,921,494</td>
<td>$66,503,988</td>
<td>$68,119,805</td>
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<td>Investments*</td>
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<td></td>
<td>160,176,600</td>
<td>160,842,667</td>
<td>208,492,282</td>
<td>228,581,812</td>
<td>260,400,645</td>
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<td>Investment Earnings**</td>
<td>(14,168,135)</td>
<td>(3,217,268)</td>
<td>7,241,931</td>
<td>20,662,623</td>
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<td>Net Assets</td>
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<td>66,899,367</td>
<td>76,437,978</td>
<td>104,635,137</td>
<td>130,131,536</td>
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<td>Member Losses Paid</td>
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<td>34,752,101</td>
<td>37,633,069</td>
<td>29,002,473</td>
<td>38,558,747</td>
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* At fair market value
** Includes unrealized gains and losses