Michigan Municipal Risk Management Authority

A Work of Art

2014 Annual Report
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“No artist is ahead of his time. He is his time, it’s just that others are behind the times.” ~ Martha Graham
To Our Members

THANK YOU FOR READING THE 2014 ANNUAL REPORT, MMRMA: A WORK OF ART.

Those two words – work and art – make an interesting pair. Some might ask whether the concept of “art” belongs in the world of work and business. But the most effective artists in any medium – painting, sculpture, photography, dance, music, poetry, etc. – know that the foundation of excellence is the consistent, persistent application of both.

Creativity without structure often meanders into chaos or incompleteness. Conversely, an uninspired, purely analytical approach can inhibit growth. By blending creative inspiration and effective technique, leaders in any milieu can take their cues from artists to reach greater heights than either approach alone.

In 1980, MMRMA’s founders, like all great visionaries, took a leap and, in so doing, helped start a lasting movement. Governmental risk pooling was untested, unproven; it was avant garde, in art world parlance. Conventional insurance had tradition on its side, but it perhaps mistook longevity for inevitability.

Governmental entities needed a solution; with none forthcoming, MMRMA’s three founding members drew up one of their own. Decades later, members of MMRMA and its fellow pools enjoy the benefits that began with those first bold sketches from our founders and other pioneers like them.

A movement is not a static moment in time but an era, whether in art or in public entity risk pooling. Our members, Board of Directors, committee members, staff, and service providers – entrusted with the legacy of MMRMA’s founders – have collectively sculpted the organization into a respected leader among pools. Like any memorable movement, MMRMA thrives and evolves with the ever-changing needs, unexpected risks, and fluctuating conditions facing municipal governments.

In these pages, you will read about MMRMA’s achievements in Fiscal Year 2014 and throughout its history:

Inspiration – MMRMA’s legacy is innovation, and we remain inspired by our vision to serve you, the members.

Technique – MMRMA has orchestrated a proven, flexible methodology of effective management and procedures.

A Lasting Movement – Secure but never stagnant, MMRMA deftly mixes creativity and sound methodology to sustain our success and meet our members’ needs at every turn.

While the global canvas is as unpredictable as ever, strong leadership and the support of our members will continue to paint the vibrant future of MMRMA. It is your work of art, and we know you are as proud as we are. Thank you.

He is his time, it’s just that others are behind the times.” ~ Martha Graham

Executive Director Michael Rhyner and Board of Directors Chairman Michael Bosanac
Inspiration

Midway through its fourth decade, MMRMA continues in the creative tradition established by our founders. We draw on inspiration from within (member participants and staff) and outside (national peers, service providers, and other partners) to compose bold outcomes and new initiatives to benefit our members.

Governance

MMRMA’s success lies in its ability to evolve with the times and the ever-changing needs of our members. As we continually seek to improve, we look to our governing documents and our vision statement to keep our focus squarely on meeting those needs.

While there’s more to come about the Board’s strategic planning process in later pages, it’s worth noting here that our leaders see our Governance Policy as a living document, rather than something etched in stone. They review MMRMA’s policies every year to ensure that we are in compliance and that the policies aptly reflect the vision of the organization and allow us to serve our members in the best ways possible.

Best Practices

MMRMA’s risk control staff has begun the process of conducting best practice reviews at each MMRMA member in various departmental areas. With their diligent help, this new program, modeled in part on national accreditations, is designed to:

• provide members with guidance regarding industry standards and recommendations for minimizing risk and liability exposure, thereby reducing overall exposure to MMRMA members

• assist MMRMA’s underwriting department in determining member contributions

• identify repeated exposures and help determine methods and strategies to improve in those areas.

“The greatest respect an artist can pay to music is to give it life.” ~Pablo Casals
Technology

Inspired by earlier successes, including our website and internal data systems, MMRMA has undertaken some new technology-related projects:

• MMRMA unveiled its Electronic Renewal Questionnaire in 2014, giving our underwriting team more sophisticated tools with which to prepare member renewals.

• More and more correspondence is provided electronically, including quarterly directors’ reports to members.

Strong Partnerships

From its earliest days, MMRMA was a product of people and entities coming together to forge something entirely different. Just as artists can use collaborative methods and merge disparate styles to yield fresh and unexpected works – be they paintings, plays, sculptures, or symphonies – MMRMA and its stellar partners have created an organization that is greater than the sum of its parts.

Many of MMRMA’s early partners shifted to in-house staff over the course of our history. As we evolved and the membership grew, key staff in risk control, claims, and finance all became integrated into the core organization. And to this day, we continue to rely on many helping hands to provide outstanding services to our members.

Regional Risk Managers

These experienced individuals and firms deliver essential services at every stage and have been integral to MMRMA’s growth and the longevity of its loyal members.

Actuaries and Investment Consultants

Their expertise and guidance ensures that MMRMA’s rating, pricing, investment strategies, and other critical elements of our program are strong and sound.

Reinsurers

MMRMA has always strived to provide the services and coverage that our members need, and reinsurers have helped us do that throughout our history.

National Allies

When like-minded artists share their ideas, the results can be astonishing. MMRMA values our involvement with the Public Risk Management Association (PRIMA), Association of Governmental Risk Pools (AGRiP), and other influential groups.

MMRMA’s legacy is creativity and innovation. As we look ahead to the coming decades, we remain inspired by our vision to serve you, our members.
Great artists in every medium have mastered their techniques and their implements. They also know when to try new tools, methods, and styles to achieve their desired effects.

MMRMA, too, applies proven policies and procedures that allow the organization and its members to flourish. And we revamp our toolkit and reimagine our methods when necessary to keep MMRMA’s programs relevant and our work of art fresh and vibrant.

**Member Participation**

MMRMA has always been a member-driven organization. We were formed by the Charter Township of Redford, Livingston County, and the City of Ishpeming in 1980, and member participants have been essential to our success ever since. Members are the purpose and the foundation of MMRMA, and their employees serve on the Board of Directors (see pages 10-11), standing committees, risk control advisory committees, and attend our Annual Meeting and Risk Management Workshops to learn and share their knowledge and insights.

**MMRMA Retention/Reinsurance**

Reinsurance has long been an integral component of MMRMA’s property and liability structure. Starting in 1985, MMRMA began insuring a layer of retention itself between the member’s self-insured retention (SIR) and the reinsurance layer. MMRMA’s portion has grown along with the organization’s financial stability and asset portfolio.

MMRMA’s reinsurance intermediary, JLT Towers Re, has assisted us in placing our reinsurance program for many years. Our reputation and strong financial performance have helped us reduce our reinsurance rates in recent years, including 2014.
Training & Development

MMRMA has been offering outstanding training for decades. We partner with top-notch instructors to help member attendees manage risk and excel in their fields.

Educational opportunities are provided at our two yearly flagship meetings – the Annual Meeting and Risk Management Workshop – and at classes presented at member sites, MMRMA's Livonia training center, and other facilities statewide.

Some courses, such as Tactical Encounters for Patrol Officers, Effective Discipline Training, and FOIA/OMA Workshops, have been part of MMRMA's curriculum for many years, and continue to be well attended and reviewed.

We also create new content to help MMRMA members adapt to the changing canvas of municipal government. Here are some recent additions to our training catalog:

Autism & Law Enforcement Response

Officers learn to identify characteristics of persons with autism and discover effective approaches for interacting with such individuals. The course is part of a package of related resources, including informational brochures prepared by Risk Control in conjunction with the advisory committees: Guidelines for Handling of Autistic and Diminished Capacity Persons (Fire & EMS) and Municipal Employee Guide to Autism Awareness (Administrative).

Rapid Deployment to Active Shooter

Officers learn vital tools for dealing with a rapid deployment situation (active shooter). The course teaches advanced tactics, including a systematic approach for moving through a hostile environment safely and techniques for extracting injured persons. The session includes a history of incidents, commonalities, and terminology, as well as demonstrations, practical exercises, and reality-based scenarios.

MMRMA also provides a brochure for non-law-enforcement member employees, the Municipal Employee Guide for Confrontation with an Active Shooter.

Claims/Legal Solutions

MMRMA’s claims team and legal partners must consider myriad factors when setting reserves, negotiating claims, and providing related services to our members. With assistance and input from the entire claims staff, Director of Claims Michael Ellis has mastered the art of analysis, and he constantly assesses the evolving picture of risk exposures and the legislative and judicial environment.

Our staff, service providers, and member participants are strong collaborators. Together, they keep MMRMA ahead of the trends, help our members manage risk... and protect them when claims do arise.
A Lasting Movement

Like all visionaries, MMRMA is not content to rest on past achievements or even its longstanding reputation for success. Instead, MMRMA deftly applies its vision and continually redefines the standard of excellence. Change is inevitable, in the art world and in the realm of public entity risk pools. Through its continued leadership, MMRMA helps keep this movement alive and thriving.

The Long View

Most established artists understand that their creations do not exist in a vacuum. They know it’s important to recognize the history of their discipline, to acknowledge the influences of their contemporaries, and to strive for freshness and momentum in their life’s work.

MMRMA, too, has always acknowledged the value of past, present, and future. Without the early innovators who conceived of MMRMA to meet an emerging need, we would not be here. While we never lose sight of their legacy, the approach and decisions made today have the long view in mind.

Several years ago, the Board of Directors developed a strategic planning process that has proven highly beneficial for MMRMA. Their collaborative approach in their monthly meetings and annual strategy sessions focuses on essential areas like technology, communications, best practices, and financial stability. This has led to bold new initiatives as well as the fine-tuning of our established products, services, and procedures.

Succession Matters

What started as a fledgling concept now boasts almost thirty-five years of success. The maturing of MMRMA and its fellow pools bring both benefits and challenges, just as many art forms thrive on contrast: light and shadow, piano and forte, exposition and dialogue. Every phase of our movement has been composed of solid, long-term relationships; still, no one’s involvement with MMRMA can last forever.
“Vision together with imagination is what makes a creative idea become a work of art.” ~Hap Hagood

We have already begun to see increasing turnover among the membership and staff. Orientation materials and meetings will help welcome new member representatives and explain their roles and important responsibilities to MMRMA and their fellow members. It’s essential that we convey the many benefits of pooling and this organization to those who may not know MMRMA’s history and value.

The leadership has also been actively crafting a succession plan that considers departmental standards and the effectiveness and purpose of MMRMA as a whole. Together, member employees and staff – both seasoned and newer – are molding the future of MMRMA.

The Shape of Things to Come

On that note, the Board and staff spent time in 2014 laying down primer for the exciting possibility of MMRMA forming its own captive insurance company. Their diligent, meticulous research and preparations could yield another masterpiece in the tradition of RAP Grants, net asset distributions, and other hallmarks of MMRMA.

The potential captive would allow us to provide tax bonds, fiduciary coverage, workers’ compensation, and other new and cutting-edge products and services to our members, all while securing our already outstanding financial position and giving us an even stronger footing when negotiating with reinsurers.

Through these and other key activities, MMRMA remains an influential leader in the public pooling movement.
Introduced in 2012, MMRMA's Member Recognition Award encourages members to develop innovative programs and practices and to share information with their fellow members about both the creative and practical process of bringing these projects to life.

The Member Recognition Award winners are determined by MMRMA's Membership Committee. The program epitomizes the way in which the elements highlighted in this Annual Report come together to make MMRMA a work of art.

The 2014 winner and honorable mention projects each combined inspiration and technique to take risk management to the next level. Deftly applied by cooperative member employees, these achievements contribute to the MMRMA movement and provide a road map to other members for application in their own facilities.

The Member Recognition Award and its recipients illustrate MMRMA’s outstanding risk management benchmarks and its ongoing pursuit of excellence.

### Elevating Inmate Care and Risk Avoidance

The team at the Monroe County jails recognized that their current recordkeeping system for inmate medical histories and treatments was not ideal. The solution? They implemented electronic medical records (EMR) software to organize inmate medical data, improve care, and reduce risk exposure.

“In the past, it was often difficult to locate paper medical files,” explains Major Troy Goodnough. “The EMR allows us to centrally locate inmate records and provide treatment and pass medications more efficiently and accurately.”

Monroe County’s EMR blends today’s tech with the age-old Hippocratic Oath to administer health care in an ethical and confidential manner. The field of medicine has long been symbolized by the serpent-entwined Rod of Asclepius, illustrated here in a lovely woodcut image.
While on-site nurses administer daily care to inmates, the physician visits just once a week. The EMR allows the doctor to access records remotely and adjust doses and update treatment plans as needed, which dramatically increases the quality of care people receive during their time in jail.

The EMR is also used by another MMRMA member entity, the Monroe County Mental Health Authority. The jail and the CMH can share records and update diagnoses and care plans without the need to exchange physical files, which can delay proper treatment.

The project included the transfer of paper record archives into the EMR. “When people return, even after many years, the staff will have those medical histories at their fingertips,” Goodnough points out.

“The accessibility and accuracy of inmate data was a surefire way for Monroe County to reduce risk while improving care,” says Cara Kowal, Manager of Risk Management Services. MMRMA and the Membership Committee are proud to name Monroe County’s EMR project as the 2014 Member Recognition Award winner.

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The Master Class

Every medium and movement has its masters: artists whose work sets the standard and whose influence leaves its indelible mark on their contemporaries and those who follow.

The Board of Directors is MMRMA's master class, and together they craft our present and future with passion and precision. These are not mere figureheads but active, engaged individuals who bring their formidable experience and insight, along with the best interests of the membership, to the table. They set the tone and establish our direction, finding the perfect balance between the work and the art.

In 2014, the Board's strategic planning efforts expanded on MMRMA's accomplishments in several key areas, including our stalwart fiscal foundation. There is strength in numbers, and MMRMA's financial position makes possible our every other achievement.

Net Asset Distributions

Under the Board's stewardship and with the assistance of Finance Director Bryan Anderson and his team, as well as the Finance Committee, MMRMA had another stellar year. That performance led the Board to declare a $34,535,390 distribution of excess net assets to members. This brings to nearly $150 million the total distributed to members since 2006.

Investment Portfolio

Investment income is a key element of our financial strength. With that in mind, the Board amended the Investment Guidelines to allow for the use of the S&P 500 Low Volatility Index as the vehicle for our U.S. Large Cap Equity investments. This reduces volatility while continuing to yield above-average total returns.

“There are painters who transform the sun to a yellow spot, but there are others who, with the help of their art and their intelligence, transform a yellow spot into sun.” ~Pablo Picasso
RAP Grant Funding

The Board also approved an additional $250,000 in Risk Avoidance Program (RAP) funding to be applied towards certification and accreditation programs undertaken by MMRMA members.

The decisions of this master class – the Board and its predecessors – have helped secure MMRMA’s reputation as a leader in public entity pooling. While the future of the MMRMA movement will certainly involve challenges, the Board has never been content to let us rest on our laurels. Guided by their vision, together we will all conduct MMRMA confidently into the future.

Thanks to the Board of Directors and our entire collaborative community, MMRMA is, indeed, a work of art.

In Remembrance

Jim Scharret, 1942-2014

MMRMA fondly remembers Board Member Jim Scharret, who passed away in January 2014.

A long-time friend and supporter of MMRMA, Scharret served on the Board of Directors since 1989 and was deeply and fervently committed to the excellence of the organization.

MMRMA flourished during Scharret’s tenure on the Board, achieving outstanding performance results and membership services that are second to none.

Jim Scharret was a true master, and his presence, humor, and impact on MMRMA will not be forgotten.

others who, with the help of their art and their intelligence, transform
## Financials

### Claims Filed by Lines of Coverage

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<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Auto Liability</td>
<td>367</td>
<td>314</td>
<td>343</td>
<td>219</td>
<td>244</td>
<td>478</td>
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<tr>
<td>Auto Physical</td>
<td>601</td>
<td>568</td>
<td>573</td>
<td>579</td>
<td>568</td>
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<tr>
<td>Gen Liability</td>
<td>1,097</td>
<td>904</td>
<td>2,137</td>
<td>1,774</td>
<td>756</td>
<td>1,425</td>
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<td>Property</td>
<td>375</td>
<td>357</td>
<td>397</td>
<td>354</td>
<td>280</td>
<td>391</td>
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<td><strong>TOTAL</strong></td>
<td>2,440</td>
<td>2,143</td>
<td>3,450</td>
<td>2,926</td>
<td>1,848</td>
<td>2,962</td>
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### Litigation

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<th>2014</th>
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<tr>
<td>Files Opened</td>
<td>330</td>
<td>292</td>
<td>320</td>
<td>330</td>
<td>254</td>
<td>328</td>
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<tr>
<td>Files Closed</td>
<td>360</td>
<td>357</td>
<td>352</td>
<td>370</td>
<td>359</td>
<td>384</td>
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### Financial Highlights

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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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<tbody>
<tr>
<td>Member Contributions - General Fund and Retention Fund - Gross</td>
<td>$72,784,656</td>
<td>$70,315,934</td>
<td>$73,947,538</td>
<td>$73,044,682</td>
<td>$81,320,080</td>
<td>$75,055,639</td>
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<tr>
<td>Claims and Claim Adjustment Expenses Paid - General Fund and Retention Fund - Gross</td>
<td>30,400,379</td>
<td>30,046,434</td>
<td>36,949,598</td>
<td>33,747,341</td>
<td>34,903,221</td>
<td>31,389,145</td>
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<td>Net Asset Distributions to Members</td>
<td>10,260,745</td>
<td>19,660,124</td>
<td>38,644,191</td>
<td>19,145,625</td>
<td>34,535,390</td>
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<tr>
<td>Cash and Investments at Fair Market Value</td>
<td>280,848,304</td>
<td>328,828,201</td>
<td>384,382,823</td>
<td>392,414,791</td>
<td>417,777,698</td>
<td>472,640,102</td>
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<td>Investment Income - includes realized and unrealized gains/losses, interest, dividends, and other income</td>
<td>(35,039,400)</td>
<td>33,064,222</td>
<td>54,450,653</td>
<td>15,768,280</td>
<td>42,681,969</td>
<td>58,665,552</td>
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<td>Reserves for Claims and Claim Adjustment Expenses - reported and IBNR</td>
<td>78,048,955</td>
<td>85,583,448</td>
<td>82,108,876</td>
<td>72,917,118</td>
<td>63,233,142</td>
<td>52,489,419</td>
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<td>Unrestricted Assets</td>
<td>162,713,491</td>
<td>190,625,847</td>
<td>241,715,777</td>
<td>234,473,103</td>
<td>275,632,365</td>
<td>319,290,219</td>
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<td>Total</td>
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<td>190,776,270</td>
<td>241,886,108</td>
<td>238,454,674</td>
<td>280,404,232</td>
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