a digital future

MMRMA
2018 ANNUAL REPORT
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Thank you for being a part of Michigan Municipal Risk Management Authority. We value you and your membership in this fine organization. We appreciate the time you take to engage with other people who make up MMRMA, from your colleagues and fellow members to the staff and service providers who help this organization thrive.

The future is digital for all of us, in every facet of our lives. Perhaps, like most people, you embrace and bemoan this fact simultaneously. As with so many cultural developments, technology brings positive contributions ... and new risks to surmount. As we know from all we've learned about risk management from MMRMA, threats will always exist.

While we must be mindful of the challenges posed by digital innovations, we are nevertheless wise to focus on their many advantages: The digital future is now, and it gives people the tools to connect with one another more easily, which is highly beneficial for organizations and individuals alike.

In these pages, we’ll explore the users – you and your fellow members – the data, the importance of security, and the essential, ongoing focus on service. Through these perspectives on our digital future, we will examine the shape of things to come.

MMRMA has always been a member-focused public entity pool built on personal relationships and the generous contributions of thousands of member associates over the years. From the Board to our staff and service providers, everyone at MMRMA is ever mindful that we not pursue technology for technology’s sake. Instead, we are committed to the deft application of digital tools and platforms to benefit the membership and maintain the stability of the organization.

The goal, as always, is to support and enhance the existing ethos of member service and valued, well-tended member relationships.

We hope you enjoy this look at MMRMA and the ways in which we are employing the right tools to enhance the delivery of excellent service now and in the decades to come.
A glimpse into MMRMA’s future begins with an acknowledgment of our history. It begins with a recognition of the consistent, essential element connecting the threads of MMRMA’s past, present, and future: the members. The people who work for our members drive the organization. Together they comprise the users of MMRMA services, from face-to-face and phone conversations to the digital tools we all navigate in the modern age.

BEGINNINGS

In 1980, MMRMA was born. Three founding members – a city, a county, and a township – formed the pool. Each one of them has been a continuous member ever since.

These entities not only represented different public entity types, they exemplified the diverse regions of our beautiful state and spanned its vast length: from Redford Township in Southeast Michigan, westward to Livingston County, and well north to the City of Ishpeming in the Upper Peninsula.

Because we are, by definition, a member-governed and member-owned public entity pool, member loyalty and longevity is the not-so-secret ingredient that makes MMRMA’s future possible.

CONTINUITY

Today, MMRMA membership has grown to over 400, including our affiliate members in the Michigan Community College Risk Management Authority (MCCRMA).

As illustrated in the Member Longevity graph [opposite], 305 public entities in Michigan have been continuous members of MMRMA for ten years or more. A remarkable 145 have been with us nonstop for over 30 years.

"MMRMA’s service delivery model has always focused on member relationships. That commitment set us apart from day one and will continue to drive everything we do."

FABIAN KNIZACKY, BOARD VICE-CHAIRMAN
GENEROITY

During those ensuing decades, MMRMA has grown, evolved, and thrived thanks to the many contributions of the people who work for our members in local governments across Michigan.

Many generous individuals have served on MMRMA’s standing committees – Membership, State Pool, Investment, and Events – helping develop and oversee various programs integral to the organization and the members.

A host of other member employees have contributed their subject matter and departmental expertise to MMRMA’s risk control advisory committees in the areas of law enforcement, corrections, public services, parks and recreation, and administration. In FY 2018, a new committee was formed to address technology and cyber risks (more about this on page 6).

We must also mention the hundreds of member representatives who have served as MMRMA’s main points of contact, submitted renewal questionnaires, signed coverage overviews, and helped reinforce the bonds between the organization and its membership.

VISION

As the years have unfolded, some of these friends have retired and moved on. While goodbyes are always bittersweet, they give us the opportunity to meet new faces and expand the list of generous contributors to – and beneficiaries of – MMRMA’s success.

Looking ahead, we know that many more individuals will serve MMRMA in these various capacities. Change is inevitable, and its pace seems ever more rapid in this digital age. In the past three years alone, we have seen over 140 member representative changes.

As we forge these new relationships, we are excited for the opportunities they offer. Our future plans include innovative ways – digital and otherwise – to connect with this new generation of MMRMA.

"Members own and govern MMRMA and are collectively invested in the organization's future. I want every member associate to recognize the value of this unique partnership."

CURTIS HOLT, BOARD MEMBER
Successful organizations rely on data to deliver services to their users. MMRMA is no exception; dependable data has always been a hallmark of our organization. The advancement of technological tools in recent years has enhanced our team’s ability to analyze and address claim and litigation trends, evaluate risk, develop accurate, reliable pricing models, and much more.

Claims and Legal

The claims and legal department monitors internal claims activity, legislative and judicial developments, and regional, national, and global trends. This comprehensive data helps provide the clearest possible understanding of the claims and legal landscape, both today and in the days – and years – to come.

In addition, MMRMA’s claims adjusters use available data and their collective decades of experience to set adequate reserves and manage claims efficiently for the membership. In-house legal professionals work closely with the adjusters and our long-term law firm partners to evaluate and handle lawsuits via mediation whenever possible and effectively manage cases that do go to trial.

Across all these activities, data provides a solid foundation on which to provide essential member services and address claims and litigation to ensure the most successful outcomes.

“The entire MMRMA team is committed to member service, asset management, and identifying solutions to help us retain our track record of excellence.”

WILLIAM WILD, BOARD SECRETARY

"MMRMA’s reputation is second to none, thanks to the people and policies that have served the membership well for so many years. We know continuing that tradition means embracing change, always with a strategic eye and a thoughtful vision."

MICHAEL SEDLAK, BOARD MEMBER
FINANCE, RATING, AND REINSURANCE

MMRMA’s finance team works diligently to ensure the accuracy and usefulness of MMRMA’s financial data. Together, they comply with statutory requirements, fulfill auditors’ requests for data, and address other related responsibilities with precision and professionalism.

Robust data also underlies MMRMA’s sophisticated rating and pricing model, which our actuarial consultants review and refine each year to reflect new developments. The underwriting and risk management team evaluates and applies insights gleaned from member data and industry trends. Similarly, our reinsurance consultants rely on the latest data to secure partner reinsurers, allowing MMRMA to offer coverage above and beyond members’ self-insured retention and MMRMA’s layer of coverage.

GREENSTONE INSURANCE COMPANY

MMRMA closely monitors trends in public entity pooling, the reinsurance industry, and other national and global matters of interest. Several years ago, the Board and executive staff developed a plan to form a wholly owned captive insurance company. In 2016, MMRMA formed its captive, Greenstone. The captive offers many benefits to the organization and members, including new products like tax bond coverage. Greenstone also participates in the casualty reinsurance program, boosting flexibility and stability in this layer of coverage.

DATA BREACH COVERAGE

MMRMA embraces the digital future and encourages members to do the same. We also know that technology brings unique risks that evolve as rapidly as experts develop tools to combat them. That is why we launched comprehensive data breach coverage for members in 2013.

IN FY 2018, MMRMA expanded this coverage to address newly evolving areas of exposure, including credit card breaches, theft of funds due to social engineering losses (such as fraudulent emails), and reimbursement of reward expenses. The enhanced data breach coverage is still provided to members at no additional cost.

MMRMA will continue to expand and refine its use of data in all these areas, and to evaluate members’ data breach coverage to address the ever-evolving characteristics of our global digital age.
It bears repeating: the wonders of technology go hand-in-hand with the potential for data breach and other security related risks. Both the benefits and pitfalls of digital tools are continuously evolving.

MMRMA is proud to offer data breach coverage (see page 5) to help members respond to incidents. We must also help members understand the technological opportunities available to them, as well as how to prevent related risks from occurring whenever possible.

DIGITAL TRAINING AND RESOURCES

At the 2018 Annual Meeting, featured speakers provided information about blockchain, smart city technology, mobile apps, and other digital tools that many public entities are embracing as they look for innovative, sustainable ways to serve their constituents.

MMRMA also featured a series of Risk Journal articles in 2018 on technology related topics like blockchain, the Internet of Things, and the risks of accessing the internet on public networks.

"Our training and resources help members succeed, which benefits the organization as a whole. The Board is excited to work with staff to share the value of MMRMA with the entire membership."

LEON WRIGHT, BOARD MEMBER

NEW COMMITTEE

This year, MMRMA’s Board of Directors created a new Technology and Cyber Security Risk Control Advisory Committee and appointed a roster of member associates to the committee. These individuals have an impressive track record of experience and expertise in information systems, technology, and related security protocols.
"Technology gives us new ways to deliver the excellent training and other resources members have long relied on from MMRMA."

DOUGLAS JOHNSON, BOARD MEMBER

The new committee has met several times in its inaugural year. Its members are working on several resources and additional training opportunities in this important area.

MEMBERS LEAD THE WAY

Like the new Technology and Cyber Security committee, MMRMA’s other risk control advisory committees have been busy developing resources and training to help their fellow members. While the future is unavoidably digital, it will also encompass many other types of longstanding – and similarly evolving – risks for public entities in law enforcement, corrections, human resources, public services, and parks.

Training highlights this year included a new program for supervisors on how to address sexual harassment incidents, sessions for jail and health care personnel on managing a mental health crisis, and weather safety in large venues and outdoor settings. Another new course, Rescue Task Force, provides a simulated active assailant experience for firefighters to help them develop the skills necessary to triage and treat injured parties during a developing crisis.

The risk control advisory committees also worked to update several model policies, including special events planning, response to resistance and violence, and bleacher safety protocols.

RAP GRANTS

For two decades, the Risk Avoidance Program (RAP) has provided members with an opportunity to apply for financial assistance in addressing risks. In recent years, MMRMA has drawn on data to refine RAP with an eye to addressing actual exposures and encouraging members to continue seeking innovative solutions. The Membership Committee helps staff evaluate and implement the program, which is a hallmark of MMRMA and remains popular with members (see graph above).

COLLABORATION

All of these risk control initiatives and offerings help protect MMRMA members and their constituents. Members face both longstanding and newly evolving risks, and the unique and collaborative governance model of MMRMA helps ensure the continued success and longevity of our members and the organization as a whole.
As we look at the future, with its landscape of digital tools and advancements, we never lose sight of our steadfast purpose: providing service to MMRMA members. That purpose does not change, no matter how much our toolkit may evolve. The membership comprises MMRMA and makes it possible; this is as true in 2018 – and will be as true in 2058 – as it was in 1980.

**Relationships Matter**

As we examine and refine the experiences we provide to members, we never forget that those experiences must also involve the human element. Relationships have always been a fundamental, foundational component of MMRMA’s success, and they remain a priority for all of us at MMRMA.

The Board of Directors agrees. As we have seen throughout these pages, each member of the Board has shared a key insight about MMRMA and its bright future. Common themes include strength, service, and, yes, relationships. As proud servants of the organization elected by and of the membership, they know firsthand what those relationships have meant to them over the years. Their strategic vision includes a strong commitment to smart technology advancements that never lose sight of MMRMA’s human element. (Meet your MMRMA Board of Directors on pages 10-11.)

**MMRMA’s commitment to members is also reflected in the net Asset Policy.** In FY 2018, MMRMA once again members and deployed additional excess of the membership, as illustrated in loyalty and commitment to MMRMA, which strength that makes distributions like...
"MMRMA's human and financial resources allow us to look ahead from a position of strength. I'm excited to be a part of the Board and to connect with new faces among the membership; they are the future leaders of the organization."

JEFF LAWSON, BOARD MEMBER

DIGITAL ENGAGEMENT

With all this in mind, MMRMA is working on a digital engagement initiative. The goal is to make it easier than ever for member associates to interact with us, connect with the right people to answer questions and provide assistance, and conduct necessary activities as intuitively and efficiently as possible.

The initial phase of the project will include a new website and member portal. Please watch for correspondence from MMRMA in the coming year as we work to build the updated platform. During this important work, we will continue to seek the insights and experiences of the membership, including the Board of Directors, standing committees, and other member associates to help us test and refine the new platform. Other features under consideration for subsequent phases include online training and learning management, online Risk Avoidance Program (RAP) grant applications, and text alerts, to name a few.

A MICHIGAN PARTNERSHIP

MMRMA is the sum of many parts, and the membership is both the foundation and the purpose. Our staff and service providers—from Regional Risk Managers to law firms and beyond—are committed to the membership and cognizant of our shared purpose of service to members.

Meanwhile, day in and day out, our members work hard and demonstrate inspiring dedication to the service and betterment of our beautiful home state. To every member associate who has been elected or appointed to the MMRMA Board and committees, attended trainings, Annual Meetings, and Risk Management Workshops, called to ask a question or provide feedback, or simply took a moment to say hello: we say thank you!

reflected in the Net Asset declared distributions to net assets for the benefit this chart. Thank you for your helps ensure the financial this possible.
"The Board and staff are committed to sound governance and best practice strategies that maintain the organization's stellar reputation. Due to these principles and member loyalty, MMRMA's future is as bright as ever."

MICHAEL BOSANAC, BOARD CHAIRMAN
Day in and day out, your Board of Directors represents the entire membership. They take their seats at the table very seriously and work to ensure MMRMA’s continued longevity, excellence, and strength.

As MMRMA rapidly approaches its 40th anniversary, these true leaders envision the road map for the decades that lie ahead. They conduct a comprehensive strategic planning process: examining trends, anticipating the needs of their fellow members, and evaluating global challenges and opportunities. This is not a one-time, or even once-a-year, event; it is an ongoing process of reviewing, refining, and reiterating.

The Board knows that, if MMRMA rests on the laurels of its past successes, the risks more than outweigh any theoretical benefits. Of course, everyone involved with MMRMA is justifiably proud of its successful history.

That said, the future is now and it belongs to those who embrace it.

"As a founding member of MMRMA, it is gratifying to see that we remain member-driven and member-governed nearly 40 years later. This fosters stability in the midst of rapid and necessary changes in how we do business."

RICHARD BURKE, BOARD MEMBER
### Claims Filed by Lines of Coverage†

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Auto Liability</td>
<td>244</td>
<td>478</td>
<td>335</td>
<td>326</td>
<td>333</td>
<td>399</td>
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<tr>
<td>Auto Physical Damage</td>
<td>568</td>
<td>668</td>
<td>604</td>
<td>685</td>
<td>671</td>
<td>745</td>
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<tr>
<td>General Liability*</td>
<td>756</td>
<td>1,425</td>
<td>11,639**</td>
<td>824</td>
<td>1,215</td>
<td>1,103</td>
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<tr>
<td>Property</td>
<td>280</td>
<td>391</td>
<td>345</td>
<td>356</td>
<td>387</td>
<td>410</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,848</strong></td>
<td><strong>2,962</strong></td>
<td><strong>12,923</strong></td>
<td><strong>2,191</strong></td>
<td><strong>2,606</strong></td>
<td><strong>2,657</strong></td>
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</tbody>
</table>

† Not including litigated claims.

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

**In FY 2015, 10,635 claims were reported by residents of our members as a result of a single August 11, 2014 storm. It produced unusually significant rain, which caused flooding and sewer system backups.

### Litigation Claims Only

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
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<tbody>
<tr>
<td>Files Opened</td>
<td>254</td>
<td>328</td>
<td>321</td>
<td>347</td>
<td>275</td>
<td>289</td>
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<tr>
<td>Files Closed</td>
<td>359</td>
<td>384</td>
<td>307</td>
<td>306</td>
<td>297</td>
<td>326</td>
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### Financial Highlights

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<tr>
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<th>2013</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>Member Contributions - General Fund and Retention Fund - Gross</td>
<td>$81,320,080</td>
<td>$75,055,639</td>
<td>$84,671,203</td>
<td>$82,519,381</td>
<td>$81,646,595</td>
<td>$83,216,449</td>
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<tr>
<td>Claims and Claim Adjustment Expenses Paid - General Fund and Retention Fund - Gross</td>
<td>34,476,629</td>
<td>31,424,634</td>
<td>33,137,880</td>
<td>39,778,615</td>
<td>34,674,572</td>
<td>35,112,562</td>
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<tr>
<td>Net Asset Distributions to Members</td>
<td>19,145,625</td>
<td>34,535,390</td>
<td>45,152,750</td>
<td>31,814,134</td>
<td>23,749,971</td>
<td>29,000,000</td>
</tr>
<tr>
<td>Cash and Investments at Fair Market Value - net of pending trades</td>
<td>417,777,698</td>
<td>472,640,102</td>
<td>472,104,272</td>
<td>478,439,928</td>
<td>498,294,239</td>
<td>510,924,977</td>
</tr>
<tr>
<td>Investment Income - includes realized and unrealized gains/losses, interest, dividends, and other income</td>
<td>42,681,969</td>
<td>58,665,552</td>
<td>17,228,284</td>
<td>30,010,314</td>
<td>28,630,398</td>
<td>25,453,301</td>
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<tr>
<td>Reserves for Claims and Claim Adjustment Expenses - reported and IBNR</td>
<td>63,233,142</td>
<td>52,489,419</td>
<td>59,653,755</td>
<td>62,886,669</td>
<td>66,296,258</td>
<td>65,425,821</td>
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<tr>
<td>Net Position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Unrestricted Net Position</td>
<td>275,632,365</td>
<td>319,290,219</td>
<td>297,582,549</td>
<td>298,974,109</td>
<td>313,080,265</td>
<td>324,245,522</td>
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<tr>
<td>Total</td>
<td>$280,404,232</td>
<td>$323,701,109</td>
<td>$301,636,372</td>
<td>$302,625,096</td>
<td>$316,374,416</td>
<td>$327,316,379</td>
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</table>
**Member Contributions History**

- **General Fund and Retention Fund**

  - Includes contributions from MCCRMA, but excludes Energy Choice Program revenue.

  - Retention fund began under its current structure as a separate fund on June 30, 1986.

**Gross Claims and Claim Adjustment Expenses Paid History**

**Net Asset Distribution History**

- Net Asset Distributions to Members total $279,000,000 since inception of the Net Asset Policy in fiscal year 2006.

**Cash and Investments History**

- Net of pending trades

**General Fund Claim Loss Reserve History**

- Based on the actuarial valuation performed by Willis Towers Watson. General fund claim loss reserves include only those reserves within the MMRMA layer.

**Net Position**

- Fiscal Year - Ended June 30th