



# LIABILITY & PROPERTY POOL

Financial Report  
with Supplementary Information  
December 31, 2024

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# Michigan Municipal League Liability and Property Pool

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## **Independent Auditor's Report**

To the Board of Directors  
Michigan Municipal League Liability and Property Pool

### **Opinion**

We have audited the financial statements of Michigan Municipal League Liability and Property Pool (the "Pool") as of and for the years ended December 31, 2024 and 2023 and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Michigan Municipal League Liability and Property Pool as of December 31, 2024 and 2023 and the changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audits of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Michigan Municipal League Liability and Property Pool

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of claims information for all lines of coverage, and schedule of reconciliation of net reserves for losses and loss adjustment expenses by type of contract, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Plante & Moran, PLLC*

April 22, 2025

# Michigan Municipal League Liability and Property Pool

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## Management's Discussion and Analysis

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This section of Michigan Municipal League Liability and Property Pool's (the "Pool") annual financial report presents our discussion and analysis of the Pool's financial performance during the year ended December 31, 2024. Please read it in conjunction with the Pool's financial statements, which immediately follow this section.

### The Reporting Entity

The Michigan Municipal League (MML) formed Michigan Municipal League Liability and Property Pool pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December 1982. The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative to members and associate members of the MML. The Pool provides services intended to reduce the frequency and severity of losses occurring in the operation of local government functions. It also defends and indemnifies its members against legal liability or loss in accordance with the terms of its Intergovernmental Agreement and Coverage Document.

The Pool is comprised of municipalities and related agencies throughout the state of Michigan including cities, villages, townships, counties, public authorities, and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of the MML.

The legal basis of the Pool and its organization is set forth under the terms of a Pool Intergovernmental Contract which is entered into and signed by each Pool member. The Pool's board of directors must approve the admission of each Pool member.

Our discussion and analysis of the Pool's financial performance provides an overview of its financial activities for the years ended December 31, 2024, and 2023. Please read it in conjunction with the Pool's financial statements, which begin on page 19.

### Financial Overview

This annual statement consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The three basic financial statements presented are as follows:

- **Statement of Net Position** - This statement presents information reflecting the Pool's assets, liabilities, and net position and is categorized into current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity of which are collectible or becoming due within 12 months of the statement's date.
- **Statement of Revenue, Expenses, and Changes in Net Position** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being claims and claims adjustment expenses, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists primarily of investment income.
- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating activities and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the calendar year.

# **Michigan Municipal League Liability and Property Pool**

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## **Management's Discussion and Analysis (Continued)**

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The Pool's accounting records are maintained on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America. Financial data is presented for both the current and prior fiscal year. Financial data is also compared to an annual budget adopted by the board of directors.

### **Additional Information - Notes to the Financial Statements**

The notes provide additional information that is integral to a full understanding of the financial information presented in the financial statements. The notes to the financial statements begin on page 19.

### **Supplemental Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information regarding the Pool's 10-year claims development history and a reconciliation of the Pool's net reserves for losses and loss adjustment expenses by type of contract. The determination of current member rates to cover the assumed risk of possible future loss occurrences is largely guided by claim development. Trends in claim development indicate whether losses are increasing, decreasing, or static. Required supplemental information begins on page 28.

### **Financial Highlights**

- Total assets of \$101.2 million exceeded liabilities of \$47.8 million, resulting in the net position of \$53.4 million, a 5.8 percent decrease in net position from the prior year.
- Membership levels remained stable during the year. The return of the \$2.2 million dividend to renewed members helped the Pool retain members.
- Loss and loss adjustment expense reserves, including incurred but not reported claim reserves, increased by 17.7 percent from the prior year. During 2024, the change in loss and loss adjustment expense reserves was mainly driven by unfavorable developments in the general liability and auto lines of coverage. The unfavorable development was partially offset by favorable developments in the police liability and property lines of coverage.
- The Pool reported a negative change in net position of \$3.3 million in 2024, compared to a positive change in net position of \$3.8 million in 2023. The decrease in net position was primarily the result of unfavorable claims development during the year.

# Michigan Municipal League Liability and Property Pool

## Management's Discussion and Analysis (Continued)

### Comparative Statement of Net Position

	December 31		
	2024	2023	2022
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	2,263,312	\$ 1,092,519	\$ 946,818
Investments at fair value	10,102,188	10,849,734	8,057,943
Premiums receivable	415,112	613,626	671,669
Reinsurance receivables on paid claims	1,017,802	2,254,042	918,292
Claim deductibles receivable	721,944	373,865	233,459
Prepaid lease - Current portion	20,000	20,000	20,000
Accrued interest receivable	488,936	554,097	386,970
Other current assets	946,495	655,859	566,109
Total current assets	15,975,789	16,413,742	11,801,260
Noncurrent assets:			
Investments at fair value	77,285,155	74,000,980	74,373,339
Investment in NLC Mutual Insurance Company	7,474,089	7,269,927	6,226,383
Prepaid lease - Net of current portion	428,334	448,334	468,334
Total noncurrent assets	85,187,578	81,719,241	81,068,056
Total assets	101,163,367	98,132,983	92,869,316
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	689,827	648,067	411,977
Net reserve for losses and loss adjustment expenses	6,296,195	5,751,652	4,858,326
Net reserve for incurred but not reported losses and loss adjustment expenses	5,702,002	5,440,769	5,689,916
Unearned member premiums - Net	12,447,797	11,350,825	10,581,141
Dividends payable	25,593	37,000	38,690
Total current liabilities	25,161,414	23,228,313	21,580,050
Noncurrent liabilities:			
Net reserve for losses and loss adjustment expenses - Net of current portion	11,846,405	9,344,530	8,478,891
Net reserve for incurred but not reported losses and loss adjustment expenses - Net of current portion	10,728,420	8,839,447	9,930,207
Total noncurrent liabilities	22,574,825	18,183,977	18,409,098
Total liabilities	47,736,239	41,412,290	39,989,148
<b>Net Position - Unrestricted</b>	<b>53,427,128</b>	<b>56,720,693</b>	<b>52,880,168</b>

# Michigan Municipal League Liability and Property Pool

## Management's Discussion and Analysis (Continued)

### Operating Results and Changes in the Pool's Net Position

	Year Ended December 31		
	2024	2023	2022
<b>Operating Revenue</b>			
Member premiums	\$ 27,775,189	\$ 25,940,242	\$ 25,097,141
Less reinsurance premiums expense	(9,658,390)	(8,863,447)	(8,548,409)
Net member premium earned	18,116,799	17,076,795	16,548,732
<b>Operating Expenses</b>			
Losses and loss adjustment expenses - Net of reinsurance	20,432,292	15,059,187	11,476,722
Service agent fee	5,152,165	4,739,386	4,588,445
Administrative expenses	558,297	536,932	449,049
Total operating expenses	26,142,754	20,335,505	16,514,216
<b>Operating Income</b>	(8,025,955)	(3,258,710)	34,516
<b>Nonoperating Income (Expenses)</b>			
Interest and dividend income	2,768,913	2,404,511	1,992,918
Realized and unrealized (loss) gains on investments	3,949,243	5,779,373	(11,739,481)
(Loss) Income from investment in NLC Mutual Insurance Company	204,162	1,043,545	(1,335,564)
Other income	176	15	310
Distributions to members	(2,190,104)	(2,128,209)	(2,372,587)
Net nonoperating (expenses) income	4,732,390	7,099,235	(13,454,404)
<b>Change in Net Position</b>	(3,293,565)	3,840,525	(13,419,888)
<b>Net Position</b>			
Beginning of year	56,720,693	52,880,168	66,300,056
End of year	<u><u>\$ 53,427,128</u></u>	<u><u>\$ 56,720,693</u></u>	<u><u>\$ 52,880,168</u></u>

In addition to net position, when assessing the overall health of the Pool, the reader needs to consider other nonfinancial factors such as the legal climate in the state of Michigan, the general state of the financial markets, and the level of risk prevention undertaken by the Pool and its members.

- The Pool's total assets have increased 8.9 percent over the past three years, from \$92.9 million to \$101.2 million. This increase is primarily a result from an increases in the investment portfolio. The Pool's investment portfolio increased 3.0 percent during the year, but increased 7.0 percent over the past 3 years.
- Premium receivables represent amounts due from members that have policies effective in December. During the year, 99 percent of premiums billed are also collected during the year. The offer to return dividends following renewals encourages members to promptly pay their renewal premiums in anticipation of receiving their dividend checks. At year end, there was a 32.4 percent decrease in premium receivables compared to the prior year due to the timing of when invoices are mailed and payments are received from members.



# Michigan Municipal League Liability and Property Pool

## Management's Discussion and Analysis (Continued)

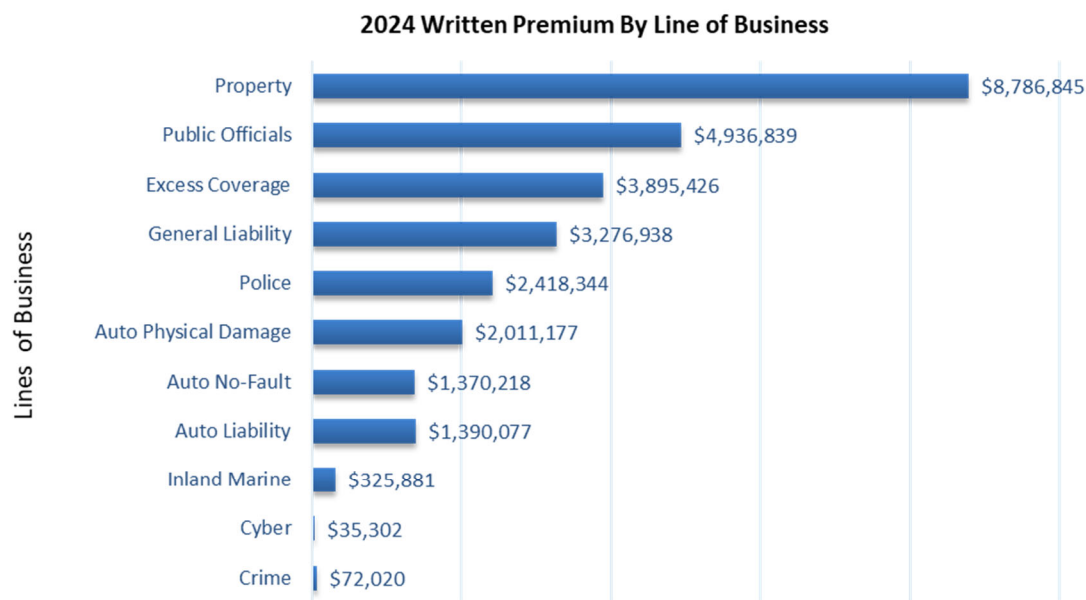
- Reinsurance receivables on paid claims increased 10.8 percent in 2024 compared to 2022. The year-end receivable represents amounts due from reinsurers for claims exceeding the retention amount. The Pool collected \$3.7 million in reinsurance recoveries during the year.
- Prepaid expenses include the prepaid asset balance of \$448,334 for the Lansing Capitol Office building. The Pool paid \$800,000 to MML for acquiring and renovating the Lansing Capitol Office. The \$800,000 pre-payment is being amortized over 40 years.
- The Pool's Investment in NLC Mutual Insurance Company increased 2.8 percent for the year, at a value of \$7.5 million, which represents 3.4 percent of NLC Mutual's total members' equity.
- Total liabilities increased 15.3 percent since 2022, from \$40.0 million to \$47.7 million. This increase is the result of an increase in the net reserves for losses and loss adjustment expenses (case reserves) of 36.0 percent. The net reserves for incurred but not reported losses increased 5.2 percent.
- Net position increased 1.0 percent, from \$52.9 million in 2022 to \$53.4 million in 2024. The Pool's financial position increased due to an increase in investments offset by an increase in reserves.

### Capital Assets and Debt Administration

The Pool has no long-term debt. All material commitments and contingencies are disclosed in Note 7 to the financial statements. The Pool has no plans to encumber any debt or enter into additional commitments in the foreseeable future.

### Member Premiums Earned

During 2024, the Pool provided insurance coverage to 456 members. Pool coverage includes property, public officials, excess coverage, general liability, police, auto, inland marine, crime, and cyber security.



# Michigan Municipal League Liability and Property Pool

## Management's Discussion and Analysis (Continued)

Written premiums for 2024 totaled \$28.5 million, a 7.2 percent increase over 2023, and a 12.4 percent increase over 2022. Variations in written premium result from rate increases, changes in member coverage limits and deductibles, variations in applied underwriting credits and debits, and changes in ratable exposures, including property values, number of vehicles, and employee payrolls. Written premiums are recognized as earned on a pro-rata basis over the life of the policy term.

For the year ended December 31, 2024, the Pool reported direct earned premiums of \$27.8 million compared to \$25.9 million and \$25.1 million for the years ended December 31, 2023 and 2022, respectively.

### Reinsurance Premiums Expense

The Pool retains the first \$500,000 of each loss for both property and casualty. Reinsurance coverage is obtained to protect the Pool against losses in excess of the \$500,000. Casualty reinsurers participate on various layers ranging from \$500,000 up to \$15,000,000. Participating casualty reinsurers in 2024 were Everest Reinsurance Company (25%), Lloyds of London (25%), and National League of Cities (NLC) Mutual Insurance Company (50%).

Effective from 4/01/2023 - 3/31/2024

Individual Casualty Losses	\$5,000,000 xs \$10,000,000 NLC Mutual 100%	1
	\$5,000,000 xs \$5,000,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	48
	\$3,000,000 xs \$2,000,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	188
	\$1,000,000 xs \$1,000,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	126
	\$500,000 xs \$500,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	90
	\$500,000 Retention	452
Reinsurance Program		# of Members

Effective from 4/01/2024 - 3/31/2025

Individual Casualty Losses	\$5,000,000 xs \$10,000,000 NLC Mutual 100%	1
	\$5,000,000 xs \$5,000,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	47
	\$3,000,000 xs \$2,000,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	191
	\$1,000,000 xs \$1,000,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	126
	\$500,000 xs \$500,000 NLC Mutual 50% Everest Re 25% Lloyd's of London 25%	92
	\$500,000 Retention	456
Reinsurance Program		# of Members

## Michigan Municipal League Liability and Property Pool

### Management's Discussion and Analysis (Continued)

NLC Mutual provides reinsurance for the first \$4,000,000 in property losses through two reinsurance layers in excess of the MML \$500,000 deductible per occurrence. The Pool is also responsible for the first \$500,000 of ultimate net loss, exceeding the \$500,000 deductible, in the aggregate for all property claims. Travelers Indemnity Company provides reinsurance for losses in excess of \$5,000,000 up to \$250,000,000. Boiler and machinery coverage is provided by XL Insurance America, Inc. for losses in excess of \$250,000 up to \$100,000,000.

Effective for 2024

<b>Property</b>  \$250,000,000 xs \$5,000,000 Travelers Indemnity Company	<b>Boiler &amp; Machinery</b>  \$100,000,000 xs MML Deductible  XL Insurance America, Inc. AXA AL
\$4,500,000 xs \$500,000 NLC Mutual Insurance Company	
\$500,000 xs MML Deductible \$500,000 reinsurance layer deductible NLC Mutual	
\$500,000 Deductible Per Occurrence	\$250,000 Deductible Per Occurrence

Reinsurance premiums expense is reported at \$9.7 million for 2024, \$8.9 million for 2023, and \$8.5 million for 2022. Reinsurance premium expense also includes assessments to the Michigan Catastrophic Claims Association (MCCA) to protect the Pool against automobile no-fault losses.

#### Investment Income

The Pool's investment portfolio consists of fixed income and equity securities. The fixed income portfolio generated interest income totaling \$2.4 million during 2024 compared to \$2.0 million for 2023, a 22.2 percent increase compared to 2023. The equity portfolio generated dividend income totaling \$0.5 million for 2024 compared to \$0.4 million for 2023, a 2.6 percent increase.

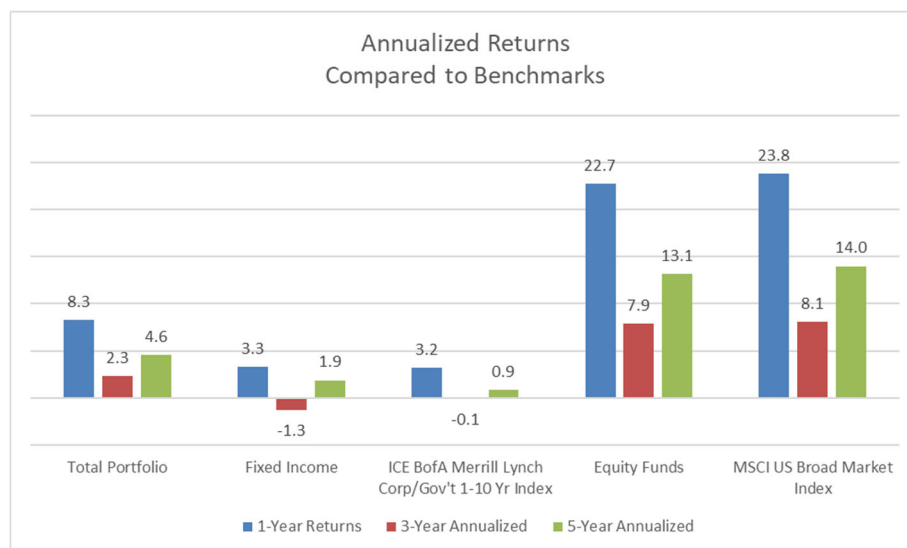
#### Net Change in the Fair Market Value of Investments

The Pool experienced a \$4.6 million increase in the fair market value of investments in 2024, compared to the \$4.6 million increase in 2023 and the \$10.3 million decrease in 2022. The portfolio generated a total positive return of 8.3 percent for 2024. The Pool's fixed-income investments outperformed the benchmark, ICE BofA Merrill Lynch Corp/Gov't 1-10 Yr Index, while the equity funds performed slightly below the benchmark, MSCI US Broad Market Index, over the last five years.

## Michigan Municipal League Liability and Property Pool

### Management's Discussion and Analysis (Continued)

The returns generated from the Pool's fixed-income and equity funds resulted in a total positive return of 8.3 percent for 2024, compared to a positive return of 10.5 percent for 2023, and a negative return of 10.8 percent for 2022.



#### Income from Investment in NLC Mutual Insurance Company

The Pool invested in NLC Mutual Insurance Company (NLC Mutual) in 1987. In accordance with current accounting guidance, the Pool accounts for the investment using the equity method, recognizing the Pool's 3.4 percent share of NLC Mutual's equity income/loss within the financial statements.

NLC Mutual acts as a "pool of pools." It provides liability, property and workers' compensation reinsurance coverage to thousands of cities, towns, and villages through 30 league sponsored risk pools.

The income/(loss) from NLC Mutual for 2024, 2023, and 2022 amounts to \$204,162, \$1,043,545, and (\$1,335,564), based on the equity values of \$7,474,089, \$7,269,927, and \$6,226,383 as of December 31, 2024, 2023, and 2022, respectively. NLC Mutual also distributed dividend income of \$119,213 during 2024, \$31,454 during 2023, and \$171,459 in 2022.

#### Losses and Loss Adjustment Expenses Incurred, Net of Reinsurance

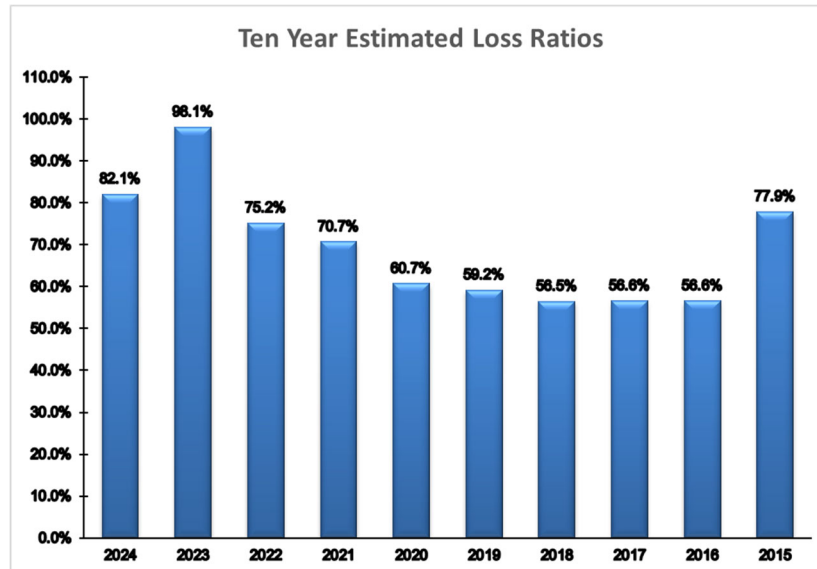
The Pool administers claims and pays for covered losses experienced by its members. All claims are processed and managed by a third-party administrator. Attorneys, medical experts, and other professionals are contracted on an as-needed basis. Between the time a claim is reported and the time it is resolved, reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred but are not yet known to the Pool and for reported claims that are expected to develop. These IBNR (incurred but not reported) reserves are recognized in the current year for claims that will either not be reported until future periods or will increase in severity. This process allows a matching of current year premium with estimated total losses that will be incurred as the result of the member's current year coverage.

Incurred losses and loss adjustment expenses represent payments and changes in reserves for the year. Incurred loss and loss adjustment expenses were \$20.4 million for 2024, \$15.1 million for 2023, and \$11.5 million for 2022.

## Michigan Municipal League Liability and Property Pool

### Management's Discussion and Analysis (Continued)

Loss ratios have averaged 69.4 percent over the past 10 years. The high loss ratio in 2023 was predominantly driven by unfavorable claim activity in the property line of coverage and in the auto physical damage line of coverage.



#### Service Agent Fees

The Pool is sponsored and administered by the Michigan Municipal League (MML) as a service for MML members and other public sector entities. The Pool has no employees. As such, the Pool contracts with MML and AmeriTrust (AMT) (formerly Meadowbrook Insurance Group) for most administrative services.

Service agent fees represent the services fees paid pursuant to the MML and AMT contracts. The MML contract provides for risk management and financial management services as well as facilities and equipment at an annual cost of \$1,693,388. The MML service fee is adjusted annually for inflation. During 2007, the Pool agreed to pay MML \$800,000 for use of common office space and facilities within the League Capitol Office. The \$800,000 payment is accounted for as a pre-payment for the Pool's usage of the space and amortized over a 40-year period, the term of the lease agreement. The 2024 unamortized balance is reported at \$448,334.

The AMT contract provides for marketing, underwriting, claims administration, and loss control risk services at an annual fee of \$3,273,929.

Service agent fees also include bank charges, custodial fees, investment management, and advisory fees that total \$183,848 for 2024, a 1.4 percent increase when compared to 2023, and a 0.6 percent decrease when compared to 2022.

#### Administrative Expenses

In providing coverage and other member services, the Pool incurs administrative expenses and contract service fees. All administrative expenses are budgeted and monitored monthly for compliance with budgetary limits. Administrative expenses include actuarial, financial audit, and legal fees; board meetings and travel; information and technology services; printing and office supplies; subscriptions and memberships; office rent; etc.

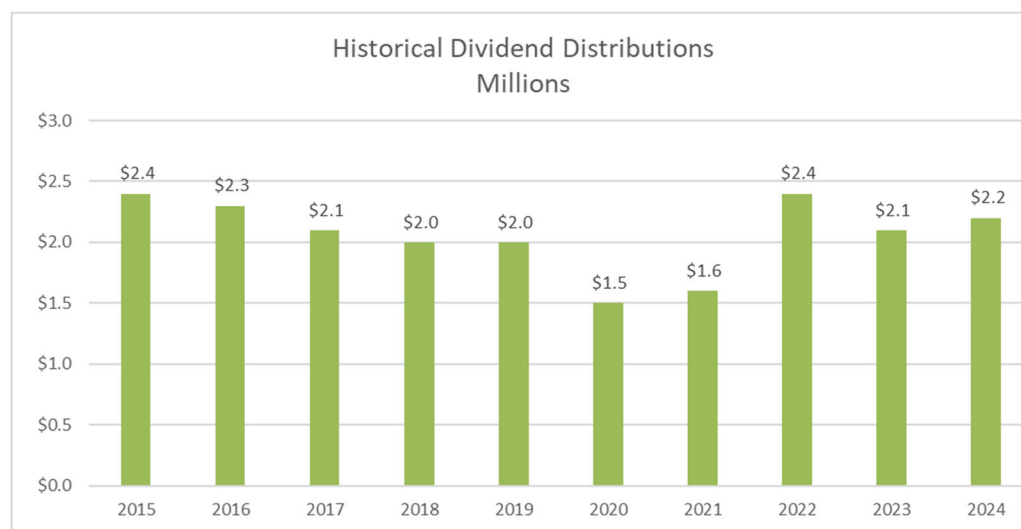
## Michigan Municipal League Liability and Property Pool

### Management's Discussion and Analysis (Continued)

Administrative expenses of \$558,297 for 2024 represent a 4.0 percent increase compared to 2023, and a 24.3 percent increase compared to 2022. Administrative expenses are relatively consistent with the prior year.

#### **Distributions to Members**

Distributions to members amounted to \$2.2 million in 2024, \$2.1 million in 2023, and \$2.4 million in 2022. Members who have participated continuously during the previous five years share in a pro-rata distribution in accordance with the percentage that their annual premium equates to the Pool's total written premium during the preceding year. Members who have participated in the program for less than five years receive proportionally reduced shares. New or returning members are not eligible to participate in the distribution, although the board approved a distribution schedule that provides for graduated participation over a five-year period in the event future dividends are declared.



#### **Budgetary Highlights**

Each year the Pool adopts an annual operating budget for the current year. The budget is presented to the Pool's board of directors for final review and adoption. The board approves any interim amendments to the annual budget. The Pool administrator prepares the budget and reviews expenditures monthly to assure compliance with the adopted budget.

## Michigan Municipal League Liability and Property Pool

### Management's Discussion and Analysis (Continued)

	Budgeted	Actual	Variance Positive (Negative)
Member premiums earned	\$ 26,950,000	\$ 27,775,189	\$ 825,189
Less reinsurance premiums expense	<u>(9,500,000)</u>	<u>(9,658,390)</u>	<u>(158,390)</u>
Net member premiums earned	17,450,000	18,116,799	666,799
Investment income including change in fair value of investments and other income	<u>2,955,000</u>	<u>6,922,494</u>	<u>3,967,494</u>
Total revenue	20,405,000	25,039,293	4,634,293
Expenses:			
Loss and loss adjustment expenses incurred - Net of reinsurance	13,500,000	20,432,292	(6,932,292)
Service agent, marketing, and risk control fees	5,010,000	5,152,165	(142,165)
Administrative expenses	529,000	558,297	(29,297)
Distributions to members	<u>2,300,000</u>	<u>2,190,104</u>	<u>109,896</u>
Total expenses	<u>21,339,000</u>	<u>28,332,858</u>	<u>(6,993,858)</u>
Excess of expenses under revenue	<u><b>\$ (934,000)</b></u>	<u><b>\$ (3,293,565)</b></u>	<u><b>\$ (2,359,565)</b></u>

The following is an explanation of the significant variances of the budget to actual for 2024:

Earned premiums exceeded the 2024 budget parameter by 3.1 percent. The Pool gained seven members and lost three members during the year, netting a net increase in written premiums of \$83,727. The Pool renewed 99 percent of the total Pool membership with the majority of members renewing premiums at a higher level, resulting in approximately \$2.4 million in additional premium. The policy of returning dividends to members following their 2024 renewals has helped to retain members within this competitive environment.

Reinsurance premiums were 1.7 percent higher than the budgeted parameters. The budget anticipated increased premium levels to which the reinsurance rates are applied, as well as increases in renewal rates. The Pool experienced significant increases in the property reinsurance premiums in the current year, as a result of property values updated based on appraisals performed.

The combination of investment income, the change in fair market of the investment portfolio, and NLC Mutual's equity income exceeded the budgeted parameter by about \$4.0 million. The favorable variance is a direct result of the Pool's portfolio increase in fair value as a result of market performance. Investment income came in over budget by approximately \$4.2 million, while NLC Mutual equity income came in under budget by about \$0.2 million.

Overall, losses and loss adjustment expenses, net of reinsurance, were higher than the budget anticipated due to more unfavorable claim development than anticipated. Net claim payments increased during the year by 5.4 percent, the net change in case reserves increased by 66.7 percent during the year, and the net IBNR and other reserve changes increased by over 100 percent during the year, resulting in a 51.4 percent unfavorable budget variance.

Service Fees, including AMT and MML service fees, were slightly above the budgeted amounts. The reason for the increase is the result of turnover of staff at AMT, resulting in a higher fee given our fee is based on salaries. There are a handful of retirements occurring at AMT and staff are being hired to train alongside the retirees prior to their departure.

## **Michigan Municipal League Liability and Property Pool**

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### **Management's Discussion and Analysis (Continued)**

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Administrative expenses include various expenses such as legal fees, actuarial fees, audit fees, loss control, information technology, director expenses, etc. The total administrative fees exceeded the budgeted amount by 5.5 percent. The main contributor to the unfavorable results was property evaluations coming in over budget by \$0.1 million. The increase in property evaluations, was necessary to ensure our members' property was properly valued when determining replacement costs. The increase in the insured values of 6.9 percent was a main driver of the increase in premiums for the current year.



# **Michigan Municipal League Liability and Property Pool**

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## **Management's Discussion and Analysis (Continued)**

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### **Economic Factors**

#### **Prudent Management and Governing Board Oversight**

The mission of the Pool is to be long term, stable, and cost effective. The Pool is managed by a member board of elected and appointed officials. The board meets quarterly to review operations and meets annually to conduct strategic planning and goal-setting. An audit committee reviews the year-end financial statements and makes recommendations in that regard to the full board of directors. The Pool is audited on a tri-annual basis by the State of Michigan Department of Insurance and Financial Services and files a Comprehensive Annual Financial Report.

#### **Investment Risk**

A significant portion of the Pool's annual net income is derived from its investments. Investments are professionally and independently managed, with quarterly reports to the governing board. Additionally, a professional investment advisory firm provides quarterly reports to the governing board, which independently reviews the investment manager's performance.

The deposits and investments of the Pool are exposed to risks that have the potential to result in losses. As such, there is the risk that the Pool will not earn expected returns and that investments may lose value. The Pool may be exposed to common deposit and investment risks that relate to credit risk, concentration of risk, interest rate risk, and foreign currency risk. In accordance with Statements No. 40 of the Governmental Accounting Standards Board, disclosures are presented in Note 3 on pages 21-23 of the audit report to inform readers about deposit and investment risks that could affect the Pool's ability to provide services and meet its obligations.

#### **Risk of Inadequate Loss Reserves**

With quarterly reserve reviews by an independent actuary, and regular independent claim reviews, management considers the risk of using significant amounts of surplus to strengthen loss reserves to be low.

#### **Reinsurance Cost**

Reinsurance costs are subject to market fluctuations and losses worldwide over which the Pool has little control. The MCCA assessment is one of these areas. However, given the Pool's loss experience, management expects Pool casualty reinsurance costs to remain relatively stable in the future.

### **Future Projects**

In light of the Pool's surplus position, the Pool board of directors approved a plan to distribute a \$2.3 million dividend to current members, to be paid upon their renewal in the program throughout 2025. After careful consideration of the Pool's current financial position and future volatility of the investment markets, it is determined that this dividend distribution will not affect the Pool's strong financial position.

#### **Contacting the Pool's Management**

The financial report is designed to provide our members, customers, and the general public with a general overview of the Pool's finances and to demonstrate the Pool's accountability for the money it receives. For more information about the Michigan Municipal League Liability and Property Pool, visit our website at [www.mml.org](http://www.mml.org).

# Michigan Municipal League Liability and Property Pool

## Statement of Net Position

	December 31, 2024 and 2023	
	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,263,312	\$ 1,092,519
Investments at fair value (Notes 3 and 8)	10,102,188	10,849,734
Receivables:		
Premiums	415,112	613,626
Reinsurance	1,017,802	2,254,042
Claim deductibles	721,944	373,865
Prepaid expenses and other assets:		
Prepaid expenses (Note 7)	20,000	20,000
Accrued interest income	488,936	554,097
Other current assets	946,495	655,859
Total current assets	15,975,789	16,413,742
Noncurrent assets:		
Investments at fair value (Notes 3 and 8)	77,285,155	74,000,980
Investment in NLC Mutual Insurance Company (Note 2)	7,474,089	7,269,927
Prepaid lease - Net of current portion (Note 7)	428,334	448,334
Total noncurrent assets	85,187,578	81,719,241
Total assets	101,163,367	98,132,983
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	689,827	648,067
Current portion of loss and loss adjustment expense reserves (Note 4)	6,296,195	5,456,784
Current portion of incurred but not reported loss and loss adjustment expense reserves (Note 4)	5,702,002	5,161,839
Unearned member premiums - Net	12,447,797	11,350,825
Dividends payable	25,593	37,000
Total current liabilities	25,161,414	22,654,515
Noncurrent liabilities:		
Net reserve for losses and loss adjustment expenses - Net of current portion (Note 4)	11,846,405	9,639,398
Net reserve for incurred but not reported losses and loss adjustment expense (Note 4)	10,728,420	9,118,377
Total noncurrent liabilities	22,574,825	18,757,775
Total liabilities	47,736,239	41,412,290
<b>Net Position - Unrestricted</b>	<b>\$ 53,427,128</b>	<b>\$ 56,720,693</b>

## Michigan Municipal League Liability and Property Pool

### Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2024 and 2023

	2024	2023
<b>Operating Revenue</b>		
Member premiums	\$ 27,775,189	\$ 25,940,242
Less reinsurance premiums expense	(9,658,390)	(8,863,447)
Net premium revenue earned	18,116,799	17,076,795
<b>Operating Expenses</b>		
Losses and loss adjustment expenses - Net of reinsurance (Note 4)	20,432,292	15,059,187
Service agent fees	5,152,165	4,739,386
Administrative expenses	558,297	536,932
Total operating expenses	26,142,754	20,335,505
<b>Operating Loss</b>	(8,025,955)	(3,258,710)
<b>Nonoperating Income (Expenses)</b>		
Interest and dividend income	2,768,913	2,404,511
Realized and unrealized gains on investments	3,949,243	5,779,373
Distributions to members (Note 6)	(2,190,104)	(2,128,209)
Other income	176	15
Income from investment in NLC Mutual Insurance Company	204,162	1,043,545
Total nonoperating income	4,732,390	7,099,235
<b>Change in Net Position</b>	(3,293,565)	3,840,525
<b>Net Position - Beginning of year</b>	56,720,693	52,880,168
<b>Net Position - End of year</b>	<b>\$ 53,427,128</b>	<b>\$ 56,720,693</b>

# Michigan Municipal League Liability and Property Pool

## Statement of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Receipts from member premiums	\$ 29,239,345	\$ 26,816,020
Receipts from reinsurers	3,188,694	871,106
Receipts from claim deductibles	299,952	313,333
Payments on claims	(17,836,153)	(17,300,724)
Payments to reinsurers	(9,827,060)	(8,911,498)
Payments for expenses	(5,939,338)	(5,109,978)
Net cash used in operating activities	(874,560)	(3,321,741)
<b>Cash Flows Used in Noncapital Financing Activities</b> - Distributions to members	(2,201,511)	(2,129,899)
<b>Cash Flows from Investing Activities</b>		
Receipts from interest income	2,834,074	2,237,384
Purchases of securities	(48,864,505)	(27,982,476)
Sales and maturities of securities	50,277,295	31,342,433
Net cash provided by investing activities	4,246,864	5,597,341
<b>Net Increase in Cash and Cash Equivalents</b>	1,170,793	145,701
<b>Cash and Cash Equivalents</b> - Beginning of year	1,092,519	946,818
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 2,263,312</b>	<b>\$ 1,092,519</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (8,025,955)	\$ (3,258,710)
Adjustments to reconcile operating loss to net cash from operating activities:		
Premiums receivable	198,514	58,043
Claim deductibles receivable	(348,079)	(140,406)
Reinsurance receivables on paid claims	1,236,240	(1,335,750)
Prepaid expenses and other assets	(270,636)	(69,750)
Net reserve for losses and loss adjustment expenses	3,046,418	1,758,965
Net reserve for incurred but not reported losses and loss adjustment expenses	2,150,206	(1,339,907)
Unearned member premiums - Net	1,096,972	769,684
Accounts payable	41,760	236,090
Net cash used in operating activities	<b>\$ (874,560)</b>	<b>\$ (3,321,741)</b>
<b>Significant Noncash Transactions</b> - Net unrealized loss on investments	\$ (4,578,416)	\$ (4,608,912)

# Michigan Municipal League Liability and Property Pool

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## Notes to Financial Statements

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December 31, 2024 and 2023

### Note 1 - Nature of Business

Michigan Municipal League Liability and Property Pool (the "Pool") was established in 1982 under Public Act 138 of 1982, as amended by Public Act 36 of 1988, to develop and administer a group program of liability and property self-insurance for Michigan municipalities. The objectives of the Pool are to establish and administer a municipal risk management service, reduce the incidence of property and casualty losses occurring in the operation of local governmental functions, and defend members of the Pool against stated liability or loss.

Any city or village that is a member of the Michigan Municipal League (the "League") or any municipality of any city or village or any governmental entity that holds service associate status with the League is eligible to participate in the Pool. There were 456 and 452 members in the Pool at December 31, 2024 and 2023, respectively.

Member premiums are combined to provide each member with coverage for liability and property claims. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credit toward future member premiums, as determined by the board of directors (the "board"). Dividend expenses and liabilities are recorded when a dividend has been approved by the board. Alternatively, the board may increase liability limits or offer additional services to the members.

### Note 2 - Significant Accounting Policies

#### ***Basis of Presentation***

The accompanying financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America, as applicable to governmental entities.

The Pool distinguishes operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses generally result from providing services in connection with the Pool's principal ongoing operations. The principal operating revenue and expenses of the Pool relate to premium revenue, reinsurance premium expense, losses and loss adjustment expenses, service agent fees, and administrative expenses. Premium contributions received covering future contract periods are deferred and recognized over the related contract periods. Net investment earnings and distribution to members are reported as nonoperating revenue.

#### ***Cash and Cash Equivalents***

Cash includes cash on hand and demand deposits. Cash equivalents include short-term investments with a maturity of three months or less when purchased. Cash equivalents consist of an investment in a federated government obligations money market mutual fund.

#### ***Investments***

The Pool is invested primarily in fixed-maturity securities and equity securities, which are stated at fair value. Interest and dividend income is recognized when earned. Realized gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. All investment income, including changes in the fair value of investments, is recognized as revenue in the statement of revenue, expenses, and changes in net position.

#### ***Receivables***

Receivables from members are stated at net invoice amounts. Receivables from reinsurers and for deductibles are computed based on the applicable treaty. Collectibility of balances is reviewed periodically. Any amounts deemed uncollectible are written off at that time. No allowance for bad debts has been recorded because management considers all receivables to be collectible.

December 31, 2024 and 2023

### Note 2 - Significant Accounting Policies (Continued)

#### ***NLC Mutual Insurance Company***

NLC Mutual Insurance Company (NLC Mutual) is a captive insurance company formed by risk pools associated with certain state municipal leagues, including the Pool. The Pool invested in NLC Mutual in 1987 as a prerequisite for membership. The Pool recognizes as revenue the Pool's share of NLC Mutual's income within its financial statements. As of December 31, 2024 and 2023, the Pool's investment in NLC Mutual was \$7,474,089 and \$7,269,927, respectively. There were no distributions received in 2024 and 2023.

#### ***Unearned Member Premiums***

Unearned member premiums represent the unexpired portion of premiums written in the current year for policies remaining effective into the next fiscal year. Unearned member premiums also include advanced premiums, which represent cash received for policies effective in the next fiscal year.

#### ***Net Reserves for Losses and Loss Adjustment Expenses***

The Pool establishes claim liabilities based on estimates of the ultimate cost of claims, including future allocated and unallocated claim adjustment expenses, that have been reported but not settled and of claims that have been incurred but not reported (IBNR). The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of subrogation and reinsurance recoveries are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in estimating claim liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability. Claim liabilities are estimated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed on both actual historical data that reflects past inflation and other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expenses in the periods in which they are made. The Pool retains a qualified, independent actuarial firm to perform an annual actuarial review of the risk retained by the Pool. As claims are paid over a period of time, the Pool discounts its loss reserves to present value (as allowed by the State of Michigan Department of Insurance and Financial Services). The Pool utilized a 2 percent discount in 2024 and 2023.

#### ***Reinsurance***

The Pool reinsures portions of certain insurance policies it writes, thereby providing a greater diversification of risk and minimizing exposure on larger risks. The Pool remains contingently at risk with respect to any reinsurance ceded and would incur an additional loss if an assuming company were unable to meet its obligation under the reinsurance agreements.

Ceded reinsurance premiums are recognized on the same basis as the premiums are earned on the underlying insurance contracts.

#### ***Premium Deficiency Reserve***

Premium deficiency is defined as the amount by which expected claims costs (including IBNR) and all expected claim adjustment expenses exceed related unearned premiums. The Pool determines whether a premium deficiency reserve is necessary, including investment income as a factor in the premium deficiency calculation. No premium deficiency reserve was required at December 31, 2024 and 2023.

December 31, 2024 and 2023

### Note 2 - Significant Accounting Policies (Continued)

#### ***Net Position***

Net position of the Pool is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

#### ***Member Premiums***

Member premiums are recognized as revenue in the year to which they apply. Member premiums are established at rates determined in accordance with rating guidelines authorized by the board of directors pursuant to the recommendation of the Pool's actuarial firm.

#### ***Federal Income Tax Status***

The Pool is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 35, as amended, of the Public Acts of 1951. This law allows local governmental units to provide joint funding for risk management and self-insurance purposes and, as such, is not subject to federal income tax under Section 115 of the Internal Revenue Code of 1986. Accordingly, no provision for income taxes is reflected in the financial statements.

#### ***Risk Management***

The Pool is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Pool has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates exist related to the reserve for loss and loss adjustment expenses and the reserve for incurred but not reported loss and loss adjustment expenses.

### Note 3 - Investments

Although the Pool is not subject to any legal restriction on types of investments, the board has elected to adopt an investment policy that allows for specific investments that conform to the requirements of the Michigan State Law for Public Retirement Funds. In general, this Michigan law allows investments in obligations issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, which are not in default as to principal or interest.

The Pool's investment policy further prohibits any transactions involving short sales, margin purchases, and the purchase of derivatives securities and the securities of the investment manager's corporation. The investment policy also restricts the purchase of mortgage-backed securities, including collateralized mortgage obligations limited to 35 percent of the portfolio's fixed-income securities market value. No unrated corporate securities are to be purchased. All fixed-income securities, excluding U.S. government securities, are limited to 5 percent of the portfolio at the market value per issuer.



# Michigan Municipal League Liability and Property Pool

## Notes to Financial Statements

December 31, 2024 and 2023

### Note 3 - Investments (Continued)

The Pool's investment policy allows for investments into equity-type securities. Investment allocation to the entity portfolio is defined in terms of the Pool's reserves and surplus. The reserve component is based on the number of undiscounted reserves expected to be paid after a period of 10 years. The surplus component is limited to 40 percent of the Pool's surplus (i.e., net position). The sum of the reserve and surplus components represents the maximum amount, at market value, of the Pool's equity investment.

The Pool's investments are held in the Pool's name. The Pool has designated Key Bank and JPMorgan for the deposit of its investments.

The Pool's cash and investments are subject to several types of risk, which are examined in more detail below:

#### ***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Pool's deposits may not be returned to it. The Pool has a deposit policy for custodial credit risk. The Pool believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Pool evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

At December 31, 2024, the Pool had \$2,718,164 of uninsured funds.

#### ***Interest Rate Risk***

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Pool's investment policy does not restrict investment maturities. The Pool's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the Pool's cash requirements.

At December 31, 2024, the Pool had the following fixed-income investments subject to interest rate risk:

Investment Type	Fair Value	Weighted-average Maturity (Years)
U.S. government securities	\$ 33,635,859	3.63
U.S. government mortgage-backed securities	5,206,348	11.87
Corporate mortgage-backed securities	4,074,646	1.15
Corporate bonds	20,501,384	5.90
Total	<u>\$ 63,418,237</u>	

At December 31, 2023, the Pool had the following fixed-income investments subject to interest rate risk:

Investment Type	Fair Value	Weighted-average Maturity (Years)
U.S. government securities	\$ 30,250,739	4.82
U.S. government mortgage-backed securities	3,084,515	20.98
Corporate mortgage-backed securities	6,001,731	1.82
Corporate bonds	25,885,463	4.38
Total	<u>\$ 65,222,448</u>	



# Michigan Municipal League Liability and Property Pool

## Notes to Financial Statements

December 31, 2024 and 2023

### Note 3 - Investments (Continued)

#### Credit Risk

The Pool's fixed-income investment portfolio consists of a variety of securities, ranging from Treasury and agency-type securities to AAA-rated to BBB-rated securities. The overall quality rating of the fixed-income portfolio is equal to an AA-rated portfolio on a market value-weighted basis. No unrated corporate securities are purchased.

The rating organization used by the Pool to rate its investments is Standard & Poor's. For securities not rated by Standard & Poor's, Moody's or Fitch ratings are provided.

At December 31, 2024, the credit quality ratings of debt securities (without regard to investment type) are as follows:

Rating	Fair Value	Quality Weightings
U.S. government	\$ 38,842,207	61.25
AAA	4,074,646	6.43
AA	797,325	1.26
A	6,711,519	10.58
BBB	12,992,540	20.49
Total	<u>\$ 63,418,237</u>	

At December 31, 2023, the credit quality ratings of debt securities (without regard to investment type) are as follows:

Rating	Fair Value	Quality Weightings
U.S. government	\$ 33,335,254	51.11
AAA	6,001,731	9.20
AA	3,503,553	5.37
A	9,245,662	14.18
BBB	13,136,248	20.14
Total	<u>\$ 65,222,448</u>	

#### Concentration of Credit Risk

The objective of the Pool's investment policy is to generate a well-diversified portfolio without any inappropriate credit concentrations. Other than direct obligations of the U.S. government, no individual issue can exceed 5 percent of the portfolio per the investment policy guidelines. This restriction reduces the Pool's exposure to the risk of credit concentration. The Pool's investments were in compliance with its stated investment policy regarding concentration at December 31, 2024 and 2023.

## Michigan Municipal League Liability and Property Pool

### Notes to Financial Statements

December 31, 2024 and 2023

#### Note 4 - Net Losses and Loss Adjustment Expenses

The Pool establishes reserves for both reported and unreported insured events; reserves include estimates for future payments of losses and related loss adjustment expenses. The following represents a summary of the Pool's changes in net losses and loss adjustment expenses for the years ended December 31, 2024, 2023, and 2022 (amounts are net of the effects of reinsurance):

	2024	2023	2022
Net losses and loss adjustment expenses - Beginning of fiscal year	\$ 29,376,398	\$ 28,957,340	\$ 27,266,331
Incurring losses and loss adjustment expenses:			
Provisions for insured events of the current fiscal year	18,105,720	18,228,490	14,039,406
Change in provision for insured events of prior fiscal years	2,326,572	(3,169,303)	(2,562,684)
Total incurred losses and loss adjustment expenses	20,432,292	15,059,187	11,476,722
Payments:			
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	5,037,874	6,710,714	3,558,043
Losses and loss adjustment expenses attributable to insured events of the prior fiscal year	10,197,794	7,929,415	6,227,670
Total payments	15,235,668	14,640,129	9,785,713
Net losses and loss adjustment expenses - End of year	\$ 34,573,022	\$ 29,376,398	\$ 28,957,340

The net loss and loss adjustment expense reserves are presented at present value using a discount rate of 2 percent for 2024, 2023, and 2022. The net loss and loss adjustment expense reserves were reduced by \$1,468,387, \$1,249,603, and \$1,199,474 at December 31, 2024, 2023, and 2022, respectively, to adjust to present value.

During 2024, there was unfavorable development and during 2023 and 2022, there was favorable development in incurred losses and loss adjustment expenses related to prior accident years. These developments primarily related to the resolution of certain litigated claims. The increase in the provision for incurred events for 2024 was related to the property, boiler, and machinery line of coverage. The decrease in the provision for incurred events for 2023 and 2022 is primarily related to the liability line of coverage offset by increases in the property, boiler, and machinery line of coverage.

#### Note 5 - Reinsurance Agreements

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of claims from reinsurers although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. Loss and loss adjustment expense reserves and incurred but not reported loss and loss adjustment expense reserves are reported net of amounts estimated to be recoverable from reinsurers.

Accordingly, reserves have been reduced by approximately \$2,100,000 and \$3,900,000 at December 31, 2024 and 2023, respectively, for amounts recoverable from reinsurers.

# Michigan Municipal League Liability and Property Pool

## Notes to Financial Statements

December 31, 2024 and 2023

### Note 5 - Reinsurance Agreements (Continued)

The Pool has obtained specific excess reinsurance and aggregate excess reinsurance for liability and property coverages, a portion of which is contracted with NLC Mutual, a related party. The table below displays the amount of risk retained by the member, the Pool, and the reinsurers by policy type:

Policy	Member Responsibility	Pool Coverage	Reinsurance
Liability	\$0 to \$125,000 per occurrence; most members have \$0 deductible.	Individual claims between members' responsibility and \$500,000 plus an additional \$1,000,000 aggregate reinsurance deductible	Individual claims in excess of the Pool's coverage up to \$15 million per occurrence
Property	\$1,000 to \$50,000 deductible per occurrence; most members have \$1,000 deductible.	Individual claims up to \$500,000 after the member deductible; \$500,000 aggregate	Individual claims in excess of the Pool's coverage up to \$250 million per occurrence
Property - Boiler and machinery	\$1,000 to \$50,000 deductible per occurrence; most members have \$1,000 deductible.	Individual claims, excluding electrical claims, up to \$250,000 after the member deductible; electrical claims up to \$250,000 after the member deductible	Individual claims in excess of the Pool's coverage up to \$100 million per occurrence
Cyber liability and data breach	\$2,500 to \$10,000 deductible per occurrence; most members have \$2,500 deductible.	Individual claims, after member deductible, up to \$100,000 general membership or specific higher limits are available up to \$1 million subject to reinsurer approval and terms. Pool coverage is supported 100 percent by reinsurance and reinsurer handles claim.	Individual claims in excess of member deductibles. Coverage from \$100,000 up to \$1 million. Members must apply to purchase limits higher than \$100,000.

In addition to the reinsurance described above, the Pool has aggregate loss coverage for liability claims beginning at \$20,000,000 up to \$32,000,000 for the period from April 1, 1997 through April 1, 2009. Total aggregate reinsurance coverage is limited to \$500,000 per occurrence and \$5,000,000 total.

For property claims, the Pool is also subject to a loss corridor for the first \$500,000 of ultimate net losses, exceeding the \$500,000 deductible in the aggregate.

Prepaid reinsurance premiums are netted against the related unearned member premiums. Prepaid reinsurance premiums were approximately \$1,686,000 and \$1,517,000 at December 31, 2024 and 2023, respectively.

## Michigan Municipal League Liability and Property Pool

### Notes to Financial Statements

December 31, 2024 and 2023

#### Note 5 - Reinsurance Agreements (Continued)

The following table summarizes the net impact of reinsurance arrangements on member contributions and losses and loss adjustment expenses incurred:

	2024	2023
Member premiums:		
Direct	\$ 27,775,189	\$ 25,940,242
Ceded	(9,658,390)	(8,863,447)
Net member premiums	<u>\$ 18,116,799</u>	<u>\$ 17,076,795</u>
Losses and loss adjustment expenses incurred	20,568,031	19,747,659
Reinsurance recoveries	(135,739)	(4,688,472)
Net losses and loss adjustment expenses incurred	<u>\$ 20,432,292</u>	<u>\$ 15,059,187</u>

#### Note 6 - Net Position

At the discretion of the board of directors, net position may be returned to members in the form of dividends. The board paid dividends totaling \$2,190,104 and \$2,128,209 as of December 31, 2024 and 2023, respectively.

#### Note 7 - Commitment

The Michigan Municipal League provides certain administrative services to the Pool, including administrative, risk management, data processing, staff travel, printing, and supplies. Effective January 1, 2007, the Pool entered into a management agreement with the League. After December 31, 2007, the agreement automatically renews for a one-year term on January 1. Beginning in 2007, the Pool began paying the League a flat rate of \$1,080,000, with an annual increase of the lesser of the U.S. Department of Labor Consumer Price Index or 5 percent. Administrative fees expensed within service agent fees by the Pool were approximately \$1,693,000 and \$1,628,000 for 2024 and 2023, respectively. In June 2007, the Pool entered into a lease agreement with the League through 2047 for the use of common space and facilities within the League's capitol office. The Pool prepaid the total rent of \$800,000, which will be amortized over the lease term. Total rent expense under the agreement was \$20,000 in 2024 and 2023.

#### Note 8 - Fair Value Measurements

The Pool categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets and liabilities. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Pool's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

# Michigan Municipal League Liability and Property Pool

## Notes to Financial Statements

December 31, 2024 and 2023

### Note 8 - Fair Value Measurements (Continued)

The Pool has the following recurring fair value measurements as of December 31, 2024 and 2023:

Assets Measured at Fair Value on a Recurring Basis December 31, 2024				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2024
Debt securities:				
U.S. government securities	\$ -	\$ 33,635,859	\$ -	\$ 33,635,859
U.S. government mortgage-backed securities	-	5,206,348	-	5,206,348
Corporate mortgage-backed securities	-	4,074,646	-	4,074,646
Corporate bonds	-	20,501,378	-	20,501,378
Total debt securities	-	63,418,231	-	63,418,231
Equity securities	23,969,112	-	-	23,969,112
Total	\$ 23,969,112	\$ 63,418,231	\$ -	\$ 87,387,343
Assets Measured at Fair Value on a Recurring Basis December 31, 2023				
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2023
Debt securities:				
U.S. government securities	\$ -	\$ 30,250,739	\$ -	\$ 30,250,739
U.S. government mortgage-backed securities	-	3,084,515	-	3,084,515
Corporate mortgage-backed securities	-	6,001,731	-	6,001,731
Corporate bonds	-	25,885,463	-	25,885,463
Total debt securities	-	65,222,448	-	65,222,448
Equity securities	19,628,266	-	-	19,628,266
Total	\$ 19,628,266	\$ 65,222,448	\$ -	\$ 84,850,714

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of U.S. government securities, U.S. government mortgage-backed securities, corporate mortgage-backed securities, and corporate bonds was determined primarily based on Level 2 inputs. The Pool estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

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## Required Supplementary Information

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Michigan Municipal League Liability and Property Pool

Required Supplementary Information  
Schedule of Claims Information for All Lines of Coverage

December 31, 2024

Claims Development Information

The table on the following page illustrates how the Pool earned revenue (net of excess insurance) and investment income compared to related costs of loss (net of loss assumed by excess insurers) and other expenses assumed by the Pool as of the end of each of the last 10 years. The rows of the table are defined as follows:

- 1. This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to excess insurers, and net earned contribution revenue and reported investment revenue.
- 2. This line shows each fiscal year's other operating costs of the Pool, including overhead and claims expense not allocable to individual claims.
- 3. This line shows the Pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by excess insurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- 4. This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
- 5. This line shows the latest reestimated amount of claims assumed by excess insurers as of the end of the current year for each accident year.
- 6. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, and emergence of new claims not previously known.
- 7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

## Michigan Municipal League Liability and Property Pool

### Required Supplementary Information Schedule of Claims Information for All Lines of Coverage (Continued)

December 31, 2024  
(In Thousands)

	Policy Year Ended December 31	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1.	Required contributions and investment income:										
	Earned	\$ 19,892	\$ 23,732	\$ 26,633	\$ 21,142	\$ 33,141	\$ 31,903	\$ 30,380	\$ 14,015	\$ 35,168	\$ 34,698
	Ceded	7,239	7,159	7,077	7,402	7,718	7,680	8,377	8,548	8,863	9,658
	Net	12,653	16,573	19,556	13,740	25,423	24,223	22,003	5,467	26,305	25,040
2.	Expenses other than allocated claim adjustment expenses	5,158	4,873	4,433	4,535	4,556	4,846	4,682	5,037	5,276	5,710
3.	Estimated claims and allocated claim adjustment expenses - End of policy year:										
	Incurred	11,486	10,866	13,089	13,701	13,805	14,782	14,854	15,107	20,360	18,237
	Ceded	1,417	991	2,125	1,729	974	559	-	1,068	2,132	131
	Net	10,069	9,875	10,964	11,972	12,831	14,223	14,854	14,039	18,228	18,106
4.	Cumulative paid claims and allocated claim adjustment expenses:										
	End of policy year	2,798	2,141	3,186	3,556	3,595	2,782	4,353	3,558	6,711	5,038
	One year later	4,404	3,587	4,281	5,083	5,906	5,096	7,218	6,082	10,299	-
	Two years later	6,217	5,231	5,795	6,527	7,185	6,212	10,154	8,433	-	-
	Three years later	7,975	6,832	6,790	6,798	8,212	6,686	12,554	-	-	-
	Four years later	9,396	8,326	7,068	7,475	9,041	7,718	-	-	-	-
	Five years later	10,002	8,687	7,273	8,254	9,683	-	-	-	-	-
	Six years later	10,220	8,795	7,526	8,275	-	-	-	-	-	-
	Seven years later	10,260	8,849	7,617	-	-	-	-	-	-	-
	Eight years later	10,292	8,858	-	-	-	-	-	-	-	-
	Nine years later	10,301	-	-	-	-	-	-	-	-	-
5.	Reestimated ceded claims and expenses	3,446	720	1,866	1,553	711	2,511	180	1,466	2,156	-
6.	Reestimated incurred claims and allocated claim adjustment expenses:										
	End of policy year	10,069	9,875	10,964	11,972	12,831	14,223	14,854	14,039	18,228	18,106
	One year later	10,509	9,765	9,817	12,076	13,733	12,544	15,033	13,353	19,313	-
	Two years later	10,877	9,670	9,824	10,421	11,932	11,466	15,059	14,210	-	-
	Three years later	11,532	10,286	8,905	8,941	11,022	9,691	15,739	-	-	-
	Four years later	12,080	9,911	8,039	8,762	10,575	9,709	-	-	-	-
	Five years later	10,505	9,908	7,917	8,554	10,519	-	-	-	-	-
	Six years later	10,375	9,369	7,935	8,495	-	-	-	-	-	-
	Seven years later	10,439	9,096	7,968	-	-	-	-	-	-	-
	Eight years later	10,372	8,860	-	-	-	-	-	-	-	-
	Nine years later	10,327	-	-	-	-	-	-	-	-	-
7.	Change in estimated incurred claims and allocated claim adjustment expenses subsequent to initial policy year end	258	(1,015)	(2,996)	(3,477)	(2,312)	(4,514)	885	171	1,085	-



## Michigan Municipal League Liability and Property Pool

### Required Supplementary Information Schedule of Reconciliation of Net Reserves for Losses and Loss Adjustment Expenses

**By Contract Type**  
**Fiscal and Policy Years Ended December 31**

	2024			2023			2022		
	Liability	Property, Boiler, and Machinery	Total	Liability	Property, Boiler, and Machinery	Total	Liability	Property, Boiler, and Machinery	Total
<b>Net Losses and Loss Adjustment Expenses - Beginning of fiscal year</b>	\$ 18,349,153	\$ 11,027,245	\$ 29,376,398	\$ 20,395,716	\$ 8,561,624	\$ 28,957,340	\$ 22,791,839	\$ 4,474,492	\$ 27,266,331
Incurring losses and loss adjustment expenses:									
Provision for insured events of the current fiscal year	13,269,209	4,836,511	18,105,720	14,665,533	3,562,957	18,228,490	10,115,292	3,924,114	14,039,406
Change in provision for insured events of prior fiscal years	(1,919,801)	4,246,373	2,326,572	(7,399,020)	4,229,717	(3,169,303)	(6,482,789)	3,920,105	(2,562,684)
Total incurred losses and loss adjustment expenses	11,349,408	9,082,884	20,432,292	7,266,513	7,792,674	15,059,187	3,632,503	7,844,219	11,476,722
Payments - Net of reinsurance recoveries and member deductibles:									
Losses and loss adjustment expenses attributable to insured events of the current fiscal year	2,004,216	3,033,658	5,037,874	2,443,541	4,267,173	6,710,714	1,767,648	1,790,395	3,558,043
Losses and loss adjustment expenses attributable to insured events of prior fiscal years	8,845,031	1,352,763	10,197,794	6,869,535	1,059,880	7,929,415	4,260,978	1,966,692	6,227,670
Total payments	10,849,247	4,386,421	15,235,668	9,313,076	5,327,053	14,640,129	6,028,626	3,757,087	9,785,713
<b>Net Losses and Loss Adjustment Expenses - End of fiscal year</b>	<b>\$ 18,849,314</b>	<b>\$ 15,723,708</b>	<b>\$ 34,573,022</b>	<b>\$ 18,349,153</b>	<b>\$ 11,027,245</b>	<b>\$ 29,376,398</b>	<b>\$ 20,395,716</b>	<b>\$ 8,561,624</b>	<b>\$ 28,957,340</b>