



MIAMI VALLEY RISK MANAGEMENT ASSOCIATION

2012 ANNUAL REPORT

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ABOUT MVRMA

MVRMA is a consortium of municipalities located in southwest Ohio, which formed an Association under Section 2744.081 of the Ohio Revised Code (ORC) to act collectively in addressing its members' risk management and risk financing needs. It became operational in December 1988 with six charter members and now has twenty members.

MISSION STATEMENT

The mission of the Miami Valley Risk Management Association is to deliver high quality risk management services to its member municipalities in a manner which provides long-term financial stability, minimization of risks and protection of mutual interests.

VISION STATEMENT

The vision of the Miami Valley Risk Management Association is to be the premier property and liability insurance pool for member municipalities in Ohio.

MEMBERS (Year Joined)

City of Beavercreek (1988)	City of Bellbrook (2004)
City of Blue Ash (1992)	City of Centerville (2004)
City of Englewood (2004)	Village of Indian Hill (1993)
City of Kettering (1988)	City of Madeira (1994)
City of Mason (1997)	City of Miamisburg (1988)
City of Montgomery (1990)	City of Piqua (2002)
City of Sidney (1993)	City of Springdale (1991)
City of Tipp City (1996)	City of Troy (1989)
City of Vandalia (1988)	City of West Carrollton (1988)
City of Wilmington (1988)	City of Wyoming (1992)

STAFF

Thomas L. Judy, Executive Director
Craig Blair, Claims Manager
Starr Markworth, Loss Control Manager
Kathy St. Pierre, Administrative Assistant

MESSAGE FROM THE EXECUTIVE DIRECTOR

We are pleased to offer this 2012 Annual Report to our members and other parties interested in an overview of the Association's activities in 2012.

The financial information contained in this report paints the picture of a stable organization that is fiscally sound. Beyond the financial data, however, is an organization that is stable and strong in other respects. That stability was demonstrated in 2012 when the Board, under the leadership of President Mark Schlagheck, successfully completed another busy year, even with the retirement of long-time Executive Director Mike Hammond.

The governance of the pool continues to be an organizational strength. The Board of Trustees operates efficiently through a committee structure that is very effective due to the active involvement of each trustee.

One of the 2012 highlights was the refund to MVRMA members of almost \$1.3 million from the closure of another loss year. As dictated by policy, once a loss year's claims and lawsuits have been settled, all remaining funds from that year, including interest, are returned to the members. As of December 31, 2012, MVRMA had returned approximately \$9 million to its members since the inception of the pool.

The pool made a commitment to enhance its technology in 2012. The pool's internal technology infrastructure was updated in 2012 with the installation of a new file and email server resulting in greater operational efficiency.

The website –www.mvrma.com – was totally redesigned with the objective of making relevant information available to our members with a few clicks of a mouse. The website has become more interactive as members can now use it to report claims, request certificates of coverage, register for training sessions, request DVD's and videos, and gain access to training through an extensive on-line streaming video library.

The online video library, made available through our broker partner Alliant, represents a big step forward in using technology to meet our members' training needs. Although MVRMA continues to maintain its in-house library of training videos, we believe on-line video training will ultimately prove to be the more efficient and cost-effective route.

The Board approved an allocation in its 2013 budget for the replacement of the claims management software system. The new system will afford staff a significantly enhanced ability to analyze claims data and trends in order to provide meaningful management reports to members and to better identify training needs.

There were few changes in MVRMA's insurance program in 2012. The pool continued to maintain a self-insured retention of \$500,000 per occurrence for its liability program. Government Entities Mutual, Inc. (GEM), a protected cell captive, reinsured the next \$1.5 million, and General Reinsurance Corporation provided reinsurance coverage of \$8 million for a total limit of \$10 million per occurrence.

MVRMA maintained a self-insured retention of \$250,000 per occurrence for property claims. Property coverage was placed with Public Entities Property Insurance Program (PEPIP), a proprietary program of Alliant Insurance Services, Inc. PEPIP is the single largest property placement in the world. Lexington Insurance Company is the lead insurer on the program. Cyber liability coverage is provided as part of the PEPIP program.

As mentioned above, Mike Hammond retired in 2012 after twelve years as MVRMA's executive director. The foundation for much of the pool's success was built under Mike's leadership. I would like to thank him for his assistance with my transition into the Executive Director position and wish him well in his new life adventures.

Anyone who would like more information about the information in this report may contact the Executive Director at 937-438-8878.

CONDENSED FINANCIAL INFORMATION

The Statement of Net Position

The difference between total assets and total liabilities is reported as “net position.” Over time, an increase in net position generally indicates an improvement in financial position while a decrease may indicate a deterioration of financial position.

The following table presents condensed information on MVRMA’s net position as of December 31, 2012, 2011 and 2010.

Condensed Statement of Net Position December 31, 2012, 2011, and 2010 (unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSETS:			
Cash, cash equivalents, and investments	\$18,962,886	\$18,407,997	\$18,574,107
Other Assets	279,391	273,017	254,949
Total assets	<u>19,242,277</u>	<u>18,681,014</u>	<u>18,829,056</u>
LIABILITIES			
Claims reserve	3,636,562	4,242,820	4,128,314
Members' refunds	2,740,454	2,017,740	3,064,283
Other Liabilities	62,157	51,040	121,504
Total liabilities	<u>6,439,173</u>	<u>6,311,600</u>	<u>7,314,101</u>
Total net position	<u><u>\$12,803,104</u></u>	<u><u>\$12,369,414</u></u>	<u><u>\$11,514,955</u></u>

MVRMA’s primary assets are cash and investments. MVRMA’s investment policy permits investment in United States treasury bills, notes, and bonds; bonds, notes, debentures, or any other obligations or securities issued by any federal agency or instrumentality, including government sponsored enterprises; deposits in eligible

financial institutions; bonds, notes, or other obligations of the State of Ohio and its political subdivisions; and STAR-Ohio or other such investment pools operated or managed by the Treasurer of the State of Ohio. Effective March 18, 2013, the Cash and Investment Policy permits the purchase of investment grade corporate bonds rated not lower than A2 by Moody's or A by S&P. The policy provides for diversification and other safeguards necessary to meet the primary objective of preservation of principal. MVRMA's investments are professionally managed in accordance with the Cash and Investment Policy.

The single largest liability is the claims reserve. This liability for net unpaid losses and loss adjustment expenses is established annually with the assistance of an outside actuary.

The liability for members' refunds reflects the funds being held in MVRMA's General Reserve Fund (GRF). The General Reserve Fund accounts for surplus funds returned, but not yet paid, to members from closed loss years. This amount increased as of December 31, 2012 due to the closure of a loss year in late 2012.

Net position is divided into two categories, invested in capital assets and unrestricted. Total net position increased by \$854,459, or 7.4%, during 2011 and by \$433,690, or 3.5%, during 2012, to \$12.8 million.

The Statement of Revenues, Expenses and Changes in Net Position

This statement reflects the operating and non-operating revenue and expenses and how the Association's net position changed during the year.

Operating revenue consists primarily of members' contributions. The major categories of operating expenses are claims and claims adjustment expenses, reinsurance premiums, general and administrative expenses, and dividends to members. Non-operating revenue and expense is primarily related to investment activity.

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For Years Ended December 31, 2012, 2011, and 2010
(unaudited)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating Revenue	\$4,171,048	\$4,283,938	\$4,143,479
Operating Expenses:			
Incurred claims and claims adjustment expenses	1,182,409	2,080,913	1,195,748
Reinsurance premiums	807,647	761,789	753,793
Members' dividends	1,276,154	0	1,901,982
Gen. & admin. Expenses	<u>733,355</u>	<u>691,571</u>	<u>677,469</u>
Total Operating Expenses	<u>3,999,565</u>	<u>3,534,273</u>	<u>4,528,992</u>
Operating Income (Loss)	171,483	749,665	-385,513
Nonoperating Revenue (Expense):			
Interest income and realized and unrealized gains (losses) on investments	262,787	104,945	115,903
Other nonoperating revenue (expense)	<u>-580</u>	<u>-151</u>	<u>0</u>
Changes in Net Position	<u><u>\$433,690</u></u>	<u><u>\$854,459</u></u>	<u><u>-\$269,610</u></u>

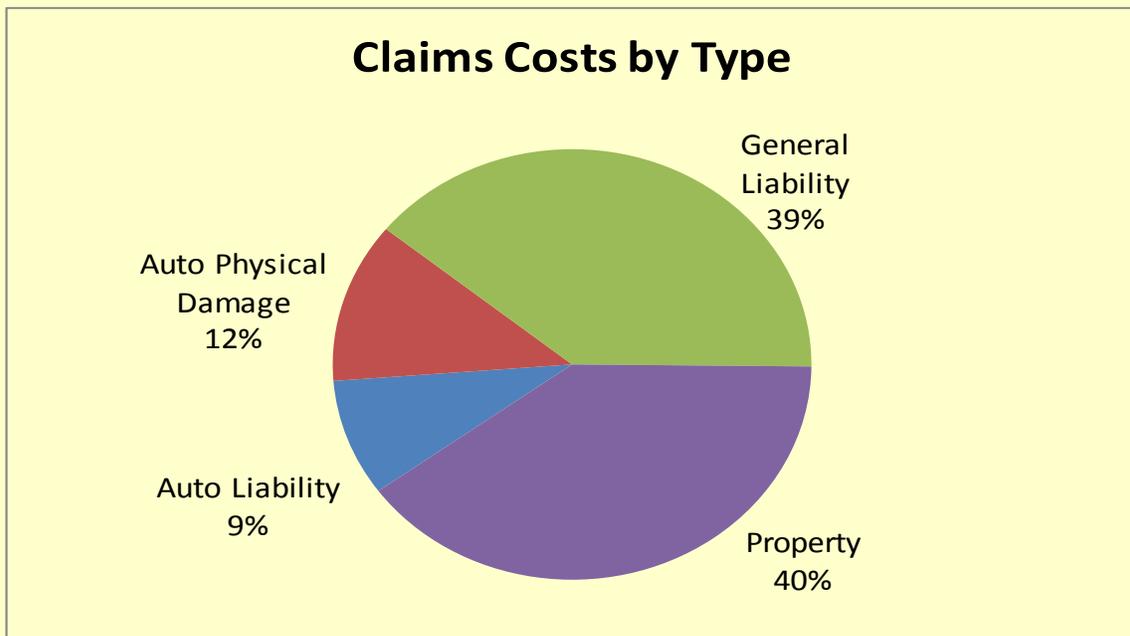
Changes in net position can vary widely due to variances in incurred claims expense and members' dividends. Although the incurred claims expense is subject to variability, it is moderated somewhat by the insuring of losses above the pool's self-insured retentions of \$500,000 per occurrence for liability claims and \$250,000 for property claims.

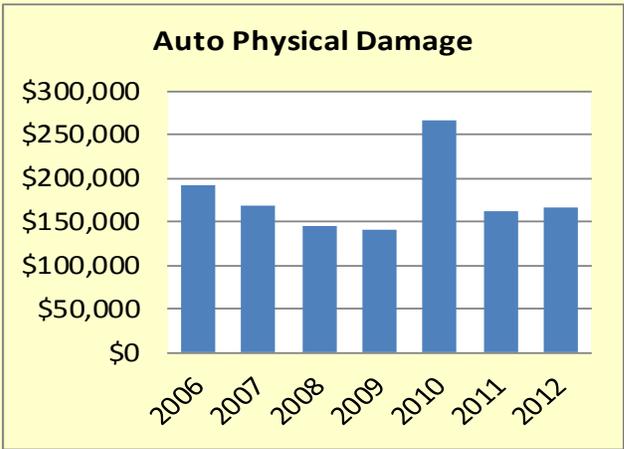
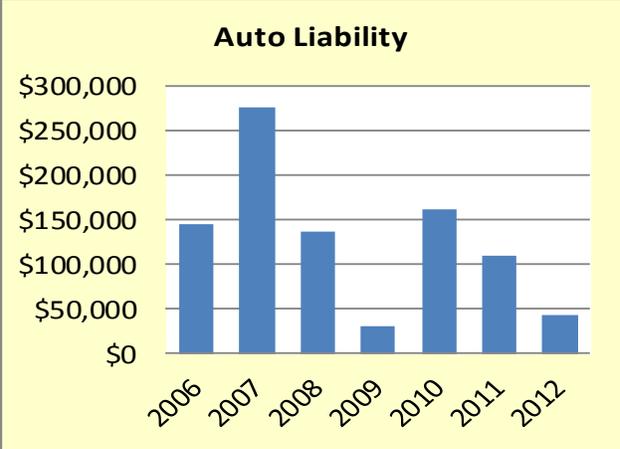
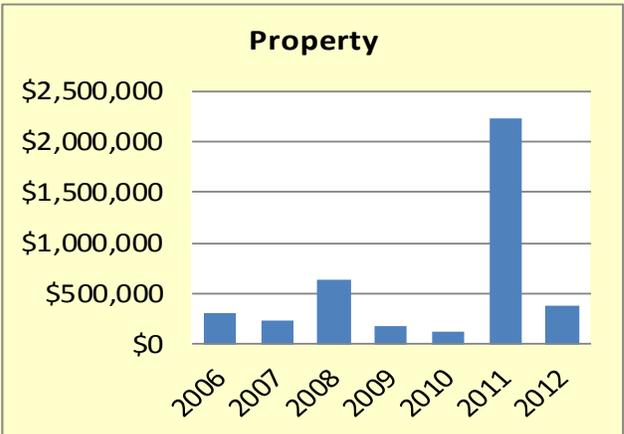
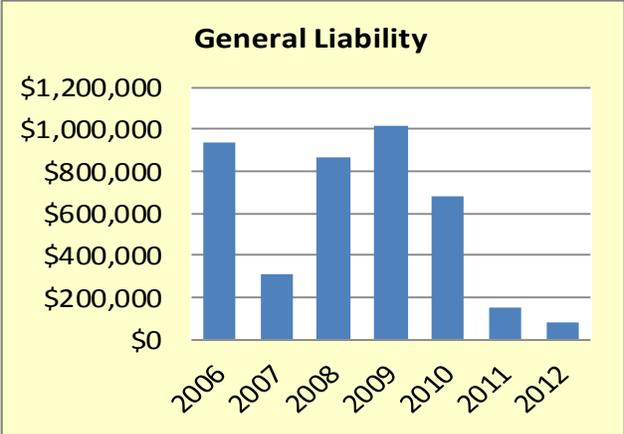
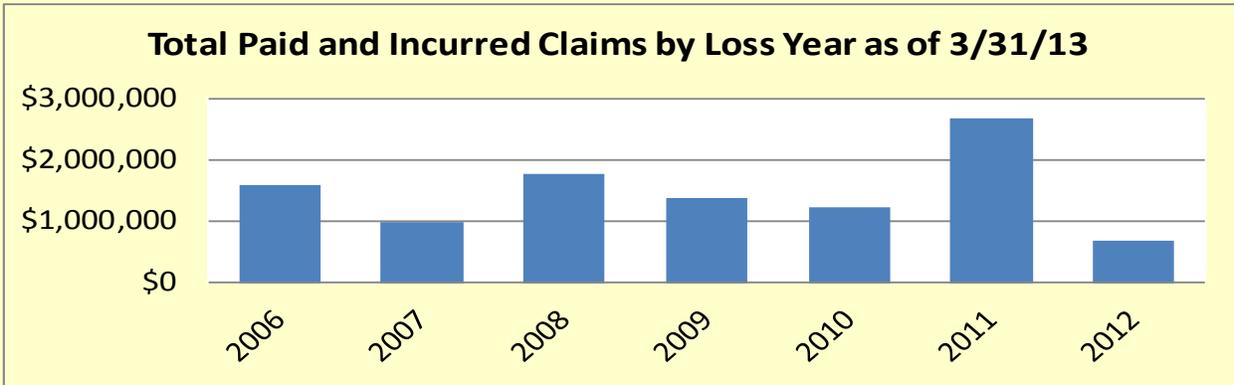
Members' dividends expense is incurred when the Board of Trustees closes a loss year and refunds the residual assets in the loss year to the members. These amounts can be significant and do not necessarily occur each year. Loss year closures in 2012 and 2010 resulted in members' dividends of \$1,276,154 and \$1,901,982, respectively.

CLAIMS INFORMATION

Claims Paid and Reserved by Loss Year As of March 31, 2013

Loss Year	Auto				Total
	Auto Liability	Physical Damage	General Liability	Property	
2006	\$145,431	\$192,105	\$935,568	\$305,105	\$1,578,209
2007	275,826	168,954	312,120	236,937	993,837
2008	136,527	144,146	867,527	630,772	1,778,972
2009	31,122	140,298	1,014,061	184,218	1,369,699
2010	161,512	265,315	683,094	124,069	1,233,990
2011	108,779	162,738	152,329	2,237,500	2,661,346
2012	43,675	165,669	79,233	379,592	668,169
Annual Average \$	\$128,982	\$177,032	\$577,705	\$585,456	\$1,469,175
No. of Claims per Yr.	72	72	144	97	386
Average Per Claim	\$1,791	\$2,464	\$4,000	\$6,018	\$3,810





LOSS CONTROL ACTIVITIES

	2008	2009	2010	2011	2012
Liability and Safety Classes	25	41	31	23	31
-Participants	882	1,300	1,155	815	1,016
Risk / Needs Assessments	20	19	16	20	13
Law Enforcement Best Practices Assessments	-	-	-	-	20

MVRMA Contact Information

Office phone: 937-438-8878

Email:

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