



**MIAMI VALLEY**  
**RISK MANAGEMENT**  
**ASSOCIATION**

**2023 ANNUAL REPORT**

## **ABOUT THE MIAMI VALLEY RISK MANAGEMENT ASSOCIATION**

The Miami Valley Risk Management Association (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. The consortium began operation in December 1988 with six charter members. Over the years it has expanded to include twenty-one 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 casualty insurance pool for member municipalities in Ohio.

## Member Jurisdictions by Year of Entry



## MESSAGE FROM THE EXECUTIVE DIRECTOR

MVRMA staff are pleased to offer this 2023 Annual Report to our members and other parties interested in an overview of the Association's activities.

MVRMA experienced another strong year financially. The Association's financial position and performance are summarized in the Condensed Financial Information section below.

Member Refunds: Per pool policy, when all loss year's claims and lawsuits have been resolved, all remaining funds in that year, including interest, are returned to the members. There was a partial closure of loss year 2016 in 2023. As of December 31, 2023, MVRMA has returned approximately \$25.4 million to its members since the inception of the pool from the closure of loss years.

Insurance Programs: MVRMA's insurance program includes general liability, auto liability, public officials' errors and omissions, cyber liability, pollution liability, "all risk" property coverage, crime coverage, and boiler and machinery coverage.

The pool's Liability Coverage Document provides coverage for general liability, auto liability, and public officials' errors and omissions. The \$12 million per-occurrence limit is financed by a combination of self-insurance and reinsurance described more fully below.

The pool's property insurance program was placed with the Alliant Property Insurance Program (APIP) again in 2023. The suite of coverages within the APIP program also includes the base cyber liability coverage and pollution liability. The property market has been hit hard in the last few years by significant weather events triggering rate increases of 17%, 22%, 40%, and 15% from 2019 to 2022, respectively. The 2023 renewal provided another significant increase at 29%. 2024 promises to be more stable, therefore we are hopeful that renewal rates will stabilize.

The impact on MVRMA of the increases in excess insurance and reinsurance is mitigated because the pool's self-insured retentions (\$500,000 for liability and \$250,000 for property) provide a buffer from the commercial insurance market. Times like these highlight the effectiveness of the pooling concept.

Investment Performance: The primary objective of the pool's investment policy is preservation of principal. Investments are primarily high-quality corporate bonds, government agency bonds and money market instruments with a seven-year investment horizon. The current yield on the investment portfolio was 2.25% as of December 31, 2023. The pool's investment yield will tend to lag market increases or decreases in periods of rapid change as its investment maturities are "laddered" to meet expected cash flow needs over a seven-year period.

Loss Control: The loss control services available to members are a key differentiator between MVRMA and commercial insurance. Later in this report, we provide an update on the pool's loss control activities.

Board of Trustees: On behalf of staff, I want to thank the MVRMA Board of Trustees for its guidance and its stewardship.

Anyone who would like more information about the information in this report may contact the Executive Director at 937-438-8878 or [mwending@mvrma.com](mailto:mwendling@mvrma.com).

*Mark Wendling*, Executive Director

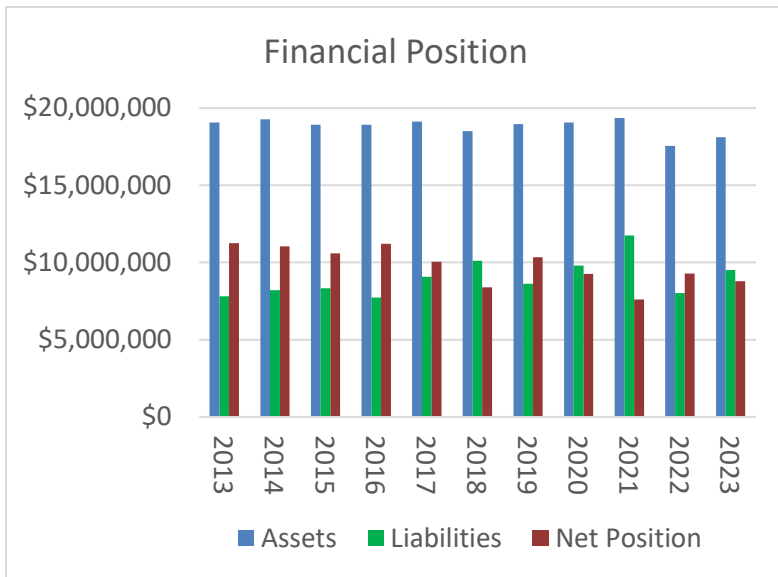
## CONDENSED FINANCIAL INFORMATION

### The Statement of Net Position

The difference between total assets and total liabilities is reported as “net position.”

The following table presents condensed information on MVRMA’s net position as of December 31, 2023, compared to December 31, 2022.

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$1,308,940	\$948,568
Accounts receivable	254,837	450,513
Prepaid expenses	1,198,980	820,901
Investments	3,848,807	2,221,260
<b>NONCURRENT ASSETS</b>		
Investments	11,482,310	13,018,980
Net pension asset	778	1,915
Net OPEB asset	0	61,484
Capital assets less depreciation	7,751	8,978
Total assets	<u>18,102,403</u>	<u>17,532,599</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pension	188,309	67,931
Deferred outflows of resources related to OPEB	37,665	5,215
Total deferred outflows of resources	<u>225,974</u>	<u>73,146</u>
<b>CURRENT LIABILITIES</b>		
Unpaid claim losses and loss adjustment expenses	1,347,002	1,166,242
Members' dividends payable	5,569,324	4,738,520
Accounts payable and accrued liabilities	21,285	12,888
Total current liabilities	<u>6,937,611</u>	<u>5,917,650</u>
<b>NONCURRENT LIABILITIES</b>		
Unpaid claim losses and loss adjustment expenses	2,114,641	1,954,020
Net pension liability	442,214	143,818
Net OPEB liability	11,356	0
Total noncurrent liabilities	<u>2,568,211</u>	<u>2,097,838</u>
Total Liabilities	<u>9,505,822</u>	<u>8,015,488</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pension	35,697	241,004
Deferred inflows of resources related to OPEB	6,170	70,578
Total deferred inflows of resources	<u>41,867</u>	<u>311,582</u>
<b>TOTAL NET POSITION</b>		
Invested in capital assets	7,751	8,978
Restricted for pension and OPEB	778	0
Unrestricted	8,772,159	9,269,697
Total net position	<u>\$8,780,688</u>	<u>\$9,278,675</u>



MVRMA’s primary assets are cash and investments. MVRMA’s Cash and 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; investment grade corporate bonds rated not lower than A2 by Moody’s or A by S&P; and STAR-Ohio or other such investment pools operated or managed by the Treasurer of the State of Ohio. The maximum maturity for MVRMA investments is seven years. The policy provides for diversification and other safeguards necessary to meet the primary objective of preservation of principal.

The single largest liability is the liability for net unpaid losses and loss adjustment expenses. This amount is determined annually with the assistance of an outside actuary and reflects the estimated ultimate loss amounts for currently active claims as well as an estimate for incurred but not reported claims as of December 31, 2023. The estimated total unpaid loss and loss adjustment expenses as of December 31, 2023, were \$3,461,643 net of reinsurance and member deductibles. This amount compares to an estimated unpaid amount of \$3,120,260 as of December 31, 2022. Estimated unpaid losses were high in 2022 due to adverse loss related to property. However, the 2022 losses were offset by low losses in 2019, 2020, and 2021. This amounted to a percent change of -0.2%. In a perfect world this would be zero. That said the -0.2% change was a favorable development. Because the 2022 losses were offset by the earlier years of low losses, it is estimated that loss rates have decreased by \$68K. Looking at 2023, the losses totaled \$2.645M, most of which occurred in general liability. Overall, 2023 provided tremendous stability.

The liability for members' refunds reflects the funds on deposit in MVRMA's General Reserve Fund (GRF). The General Reserve Fund accounts for surplus funds returned, but not yet paid, to members primarily from the closure of loss years. Members may withdraw their GRF funds within thirty days after the close of a loss year, or in January of each year, or for the payment of a MVRMA invoice at any time during the year. If they wish, members may leave their funds on deposit in the GRF indefinitely. Interest income is allocated to GRF funds. The members' dividend payout in 2023 totaled \$1,472,132. This amount is subject to wide fluctuations depending on the timing of loss year closures.



## The Statement of Revenues, Expenses and Changes in Net Position

This statement reflects 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

	<u>2023</u>	<u>2022</u>
Operating Revenue	<u>\$6,461,791</u>	<u>\$6,367,353</u>
Operating Expenses:		
Incurred claims and claims adjustment expenses	2,526,129	827,856
Reinsurance premiums	2,750,180	2,362,508
General and administrative expenses	<u>925,260</u>	<u>631,270</u>
Total Operating Expenses	<u>6,201,569</u>	<u>3,821,634</u>
Operating Income (Loss)	260,222	2,545,719
Nonoperating Revenue (Expense):		
Interest income and gains (losses) on investments	713,923	(859,721)
Members' dividends	<u>(1,472,132)</u>	<u>(11,012)</u>
Changes in Net Position	(497,987)	1,674,986
Net position, beginning of year	<u>9,278,675</u>	<u>7,603,689</u>
Net position, end of year	<u>\$8,780,688</u>	<u>\$9,278,675</u>

Members' contributions accounted for about 95% of operating revenue in 2023. Changes in net position can vary widely from year to year due to fluctuations in incurred claims expense and members' dividends. Although the incurred claims expense is subject to variability, it has remained relatively stable in recent years. Fluctuations in

claims expense is moderated 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 loss funds are returned. Dividends from loss year closures can be significant and do not necessarily occur each year. There was a partial closing of Loss Year 2016 in 2023.

In 2022 MVRMA experienced an increase in net position of \$1.7 million due to a significant decrease in the unpaid claims liability as well as there being no loss year closures. Conversely, the total net position at the end of 2023 was \$8,780,688 compared to \$9,278,675 at the end of 2022 for a difference of \$497,987. The decrease in net position is due primarily to the disbursement of members’ dividends totaling more than \$1.4M and losses on investments totaling \$859,721.

Below are various ratios useful in comparing the results of MVRMA’s financial performance and capital sufficiency:

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Loss Ratio <sup>1</sup>	33%	43%	78%	22%	72%
Expense Ratio <sup>2</sup>	32%	26%	28%	17%	26%
Combined Ratio <sup>3</sup>	64%	69%	105%	39%	98%

1. *Loss Ratio: Ratio of incurred losses and loss adjustment expenses to net members’ contributions. The typical insurance industry range is between 75% and 90%.*
2. *Expense Ratio: Ratio of brokerage and administrative expenses to net members’ contributions. The Expense Ratio indicates a pool’s operating efficiency.*
3. *Combined Ratio: The sum of the Loss Ratio and Expense Ratio. A Combined Ratio of less than 100% indicates an underwriting profit.*

	<b><u>2019</u></b>	<b><u>2020</u></b>	<b><u>2021</u></b>	<b><u>2022</u></b>	<b><u>2023</u></b>
Net Position to Liability SIR Ratio	20.7	18.5	15.2	18.5	17.5

*Net Position to SIR Ratio: An indication of pool solvency that measures the relationship between the pool’s net position (i.e., net worth) and its self-insured retention (SIR). MVRMA’s SIR for liability claims is \$500,000 per occurrence. A higher ratio indicates the pool presents less risk and can withstand adverse losses. A general rule of thumb for the insurance industry is a ratio of at least 10 is desirable. Pools tend to be more conservative and maintain a higher ratio.*

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Net Position to Loss Reserves Ratio	3.0	2.9	1.7	3.0	2.5

*Net Position to Loss Reserves Ratio: This compares the pool's net position (i.e., net worth) to loss reserves (i.e., the liability for unpaid claims), measuring the pool's ability to absorb losses. Generally speaking, the higher the ratio, the more financially able the pool is to absorb costs in excess of the booked reserves. Typical ranges for the insurance industry and insurance pooling are between 0.5 and 2.0.*

## **INSURANCE PROGRAM**

**Liability:** MVRMA’s liability insurance program offers coverage based on the special needs of its member cities. The MVRMA Board of Trustees has the flexibility to custom design this coverage through the Board-approved MVRMA Liability Coverage Document. The liability program includes General Liability, Auto Liability, Employment Practices Liability, and Public Officials Errors and Omissions coverage. The limit of coverage in 2023 was \$12 million per occurrence. The pool funded the first \$500,000 of each occurrence. Government Entities Mutual (GEM), a reinsurance captive, reinsured the next \$6.5 million excess of the pool’s \$500,000 retention. Genesis provided \$5 million excess of \$7 million for the total of \$12 million per occurrence.

**Property:** MVRMA provides property coverage through the Alliant Property Insurance Program (APIP). APIP is the single largest property placement in the world. Lexington Insurance Company is the lead insurer on the program. The policy is “All Risk” providing members the broadest form of coverage. The program includes Commercial Property, Earthquake, Flood, Boiler and Machinery, Auto Physical Damage, Pollution Liability, and Cyber Liability. The pool funds the first \$250,000 of most property claims with APIP picking up coverage above that point up to repair or replacement cost.

**Crime:** MVRMA provides Government Crime Coverage through National Union Fire Insurance Company of Pittsburgh, PA. The plan includes limits of \$2 million per occurrence for employee theft, forgery or alteration, computer fraud, funds transfer fraud and government employee faithful performance of duty. A limit of \$100,000 per occurrence applies to theft of money and securities.

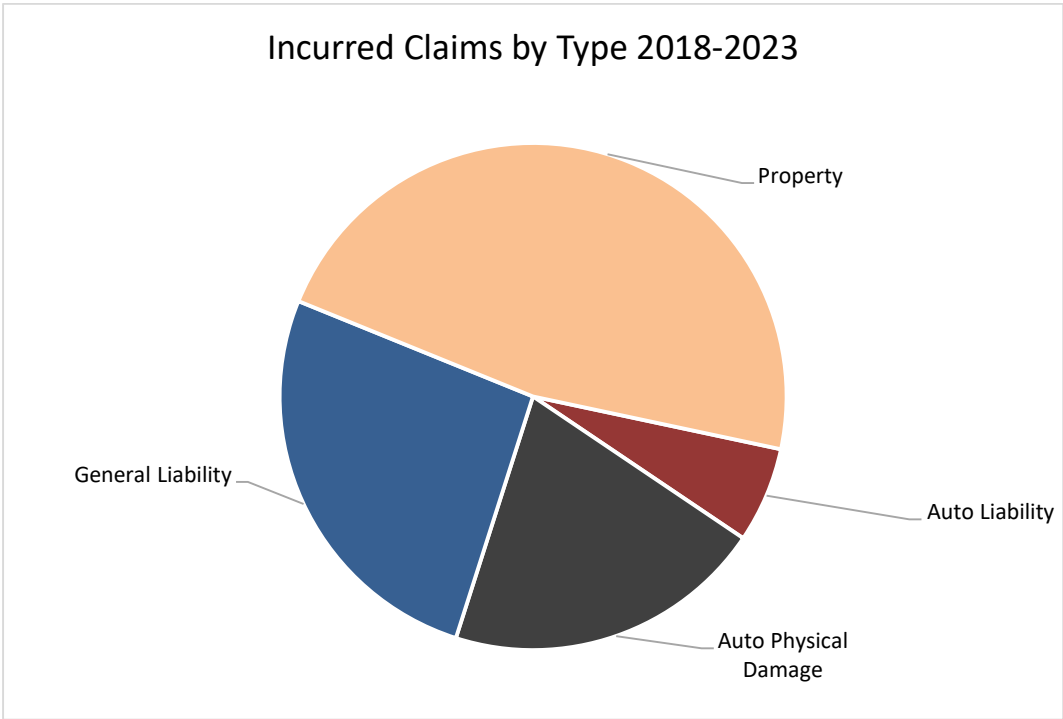
**Position Bonds:** Surety bonds required by charter, ordinance or statutory requirement are provided by MVRMA. Bonds are provided for the required amount except “all employee” bonds are limited to \$2,500 per employee.

## CLAIMS INFORMATION

MVRMA members’ claims losses continue to trend well below actuarially expected losses which generally exceed \$2 million per year. The chart below summarizes incurred claims which represent cash claims payments plus outstanding reserves.

Incurred Claims by Loss Year by Type

Loss Year	Auto Liability	Auto Physical Damage	General Liability	Property	Total
2018	\$78,866	\$256,075	\$710,603	\$315,237	\$1,360,781
2019	\$70,113	\$268,422	\$533,244	\$1,016,600	\$1,888,379
2020	\$69,079	\$334,336	\$356,365	\$1,031,707	\$1,791,487
2021	\$120,307	\$339,627	\$218,195	\$623,247	\$1,301,376
2022	\$222,079	\$412,483	\$236,089	\$888,348	\$1,758,999
2023	\$36,353	\$389,899	\$505,283	\$734,506	\$1,666,041
Annual Average \$	\$99,466	\$333,474	\$426,630	\$768,274	\$1,627,844



## LOSS CONTROL ACTIVITIES

### Training

In 2023, MVRMA sponsored thirty-eight training programs with 842 attendees. Staff continues to analyze loss data to provide relevant training that contributes to lowering both the frequency and severity of losses.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Number of Training Programs	32	34	57	48	26	41	39	38
Number of Participants	767	640	1,237	757	404	720	986	842

The core focus of MVRMA training in 2023 was entry-level driver training (ELDT) CDL training, driver training, heavy equipment training, cyber liability, and leadership/supervisory training.

Highlights include:

- MVRMA collaborated closely with the members providing ELDT CDL training for new employees seeking to obtain their CDL license. In 2023, the program shifted the classroom portion to utilizing the resources that Ohio LTAP provides for local governments in Ohio.
- MVRMA continued the partnership with the Center for Local Government and the Miami Valley Communications Council to offer Leadership Academy and Supervisory training. These programs are designed for any supervisors or employees who may have the potential to become supervisors. The programs are highly rated by the participants.
- MVRMA utilized the no-fee circuit rider course for Snow and Ice provided by Ohio LTAP. 125 employees attended the program at five city locations.

### Best Practices

- MVRMA staff conducted annual visits to each member city's Police department to evaluate their practices compared to MVRMA's best practice

program. These meetings provide an opportunity for MVRMA staff to discuss claims as well as trends in police risk management with member police representatives.

- MVRMA staff also conducted annual visits to member cities to evaluate all their city departments based on MVRMA’s Risk Management Best Practices program. These evaluations allow loss control staff to meet with key employees in each city to discuss claims and share best practices recommendations.

**2023 Board Officers:**

President: Emily Christian, City of Miamisburg  
Vice-President: John Crowell, City of Montgomery  
Treasurer: Tyler Roark, City of Centerville  
Secretary: Sandra Caudill, MVRMA

**MVRMA Staff Contact Information (2024):**

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