

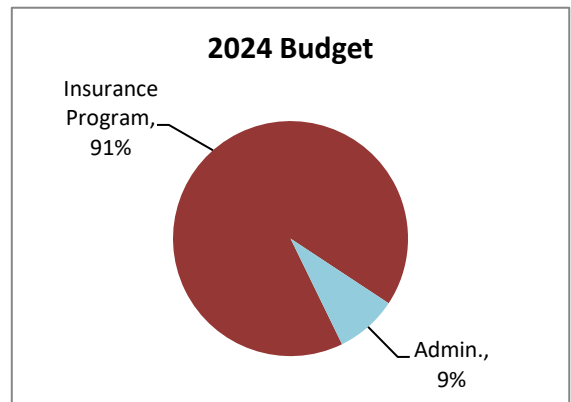
**Miami Valley Risk Management Association (MVRMA)
2024 Budget Memo**

December 31, 2023

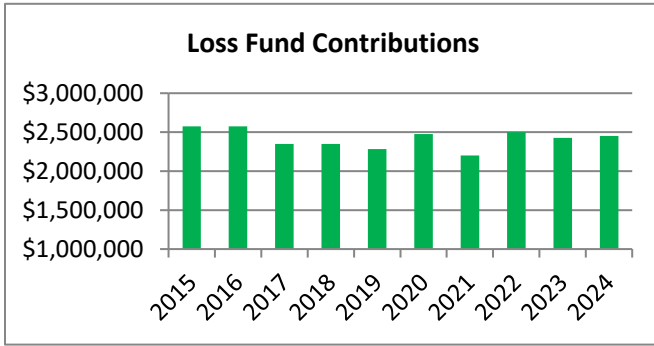
The following budget document reflects the 2024 Budget as approved by the Board of Trustees updated for actual 2023 results.

2024 Budget Highlights:

- Total members' contributions increase 11.7% in 2024. The change in each individual member's contribution will depend upon the member's loss exposure factors and, especially, its average annual adjusted losses. Members' contributions will be discussed in more detail below.
 - Budgeted revenues for 2024 are \$7,787,546, about 91% of which consists of contributions and other revenue received from the member cities.
 - Investment income is expected to rise in 2024; however, the rate of return continues to lag the market due to the rapid rise in rates. On the other hand, due to its laddered portfolio strategy, MVRMA's investment returns will outperform the market in declining-rate environments.
- Budgeted general & administrative expenditures for 2024 are \$938,805, an increase of 3.0% compared to the 2023 Budget.
 - The 2024 budget includes funds for an anticipated one-month overlap of the incoming and outgoing Executive Directors.
 - Beginning in early 2021, the claims management function was contracted out to a third-party administrator. Claims processing fees are expected to be \$145,000 in 2024. A separate line item tracks subrogation recovery fees which are generally 20% of the amounts recovered.
- Reinsurance/excess insurance premiums represent about 49% of the budget and have increased significantly in the past few years due to external market forces. These costs are expected to increase about 21% in 2024. This increase is driven by continuing weakness in the commercial property market.
- The budget for claims expenditures, \$2,600,000, is based on the actuarially expected claims. Actual results can vary widely.
- The budget can be viewed as consisting of two broad segments: insurance program expenditures and administrative expenditures. Insurance program expenditures include claims paid from the loss fund (claims that are within the pool's self-insured retention), excess insurance and reinsurance premiums, broker services, actuarial services, and an allocation of wages and other general expenses. Insurance program expenditures comprise about 91% of the budget compared to only 9% for administrative expenditures. Included in the administrative expenditures are the loss control and training program costs.



Loss Fund Contributions:



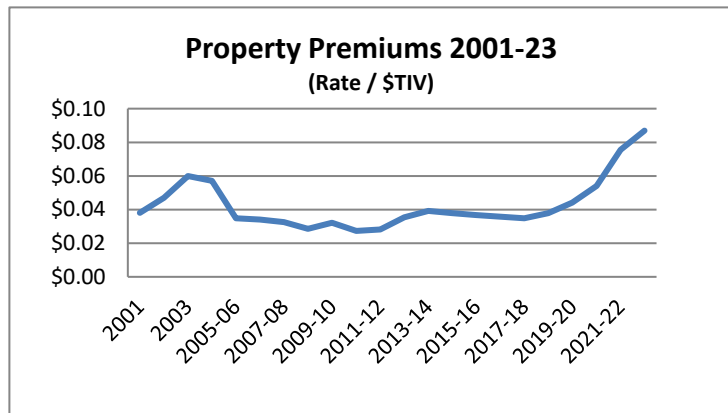
Each year, the pool contracts with an actuary to calculate the members’ required annual contribution to the upcoming loss year fund based on the pool’s loss history and industry trends. A new loss year fund is established each year to account for claims occurring in that year. This amount has been relatively consistent from year to year over the last decade. The funding for the 2024 loss year will be \$2.45 million.

Excess Insurance / Re-Insurance:

Since 2010, the pool’s self-insured retention (SIR) has been the first \$500,000 of each liability occurrence and \$250,000 for most property occurrences. These SIRs will remain unchanged in 2024.

Property coverage for claims in excess of the \$250,000 SIR is currently placed with Alliant Property Insurance Program (APIP). The 2024 Budget assumes a continuation of this amount.

The commercial property market has been difficult for the last 5 years primarily due to severe weather events. The rates MVRMA pays for property coverage increased approximately 17% in 2019, 22% in 2020, 40% in 2021, 15% in 2022, and 29% in 2023. The 2024 budget provides for a 13% premium increase as well as a 6% increase in insured values. This more moderate increase reflects some indications of a levelling of the market.



For liability claims, the limit will remain at \$12 million per occurrence in 2024. Government Entities Mutual (GEM), the captive insurance company of which MVRMA is a member, will reinsure \$6.5 million excess of MVRMA's \$500,000 SIR and Genesis Reinsurance will reinsure the next \$5 million excess of \$7 million.

There is good news on the liability reinsurance front. These premiums are expected to increase by only 0.2% in 2024; this follows a 0.6% decrease in 2023 due to the pool’s favorable loss experience.

Member Contributions:

The pool is funded by members’ contributions. The contributions have three components: amounts designated for the Operating Fund, the current year’s Loss Fund, and the Shock Loss Fund. Total members’ contributions in 2024 will increase by about 11.7% compared to 2023. The breakdowns of 2024 and 2023 are as follows:

<u>Fund</u>	<u>2024</u> <u>Contributions</u>	<u>2023</u> <u>Contributions</u>
Loss Fund	\$2,450,000	\$2,425,000
Shock Loss Fund	48,616	39,987
Operating Fund	<u>4,488,255</u>	<u>3,790,325</u>
Total Contributions	<u>\$6,986,871</u>	<u>\$6,255,312</u>

Annual contributions are allocated among the members based on a formula that is weighted 2/3 for risk exposures and 1/3 for claims experience. Risk exposures include number of employees, uniformed police, vehicles, net operating expenditures, population, and insurable property values. Claims experience is based on a four-year rolling average.

Loss Fund Refunds:

One of the benefits of membership in MVRMA is that, when a loss year is closed, unspent loss funds are returned to the members, with interest, in the same proportion as they were contributed. On average, members have been refunded over half of the amounts they contributed to loss funds. A partial refund from the 2016 loss year in the amount of \$1.4 million will be made in 2023. The remaining balance from that loss year, about \$300,000, is expected to be refunded upon its closure in 2024. These refunds are deposited to the members' accounts in the General Reserve Fund (GRF). Members may withdraw their GRF funds or leave them on account with MVRMA to be used for the payment of future MVRMA contributions. The anticipated balance in the GRF fund at the end of 2024 is about \$4 million.

Fund Balances:

MVRMA's claims are well-funded and MVRMA is very well-capitalized versus industry standards. The pool is expected to end 2024 with cash fund balances of about \$8.6 million spread among seven open loss years. These balances are supplemented by about \$2.8 million in the Shock Loss Fund.

If you have questions or need more detailed budget information, please feel free to contact MVRMA staff.

Thomas L. Judy, Executive Director
937-438-8878
tjudy@mvrma.com