

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

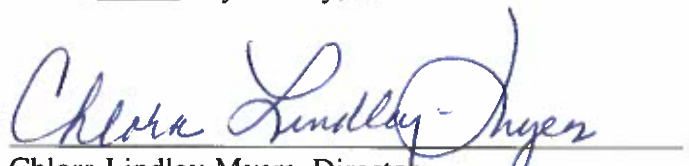
ORDER

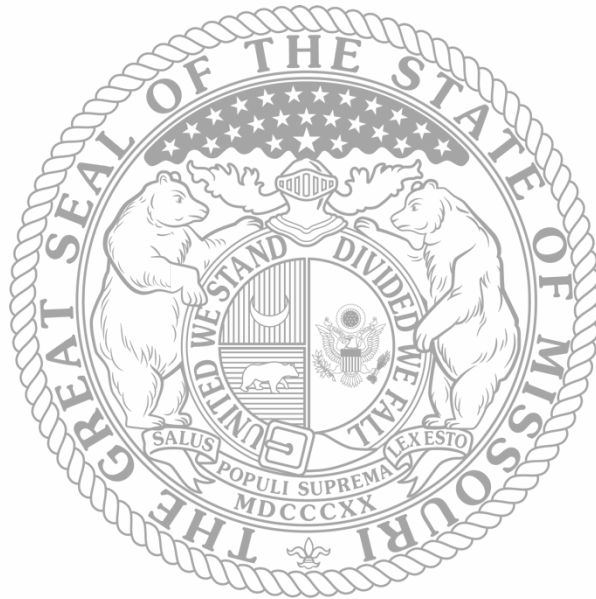
After full consideration and review of the report of the financial examination of Missouri Intergovernmental Risk Management Association for the period ended June 30, 2021, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Intergovernmental Risk Management Association as of June 30, 2021 be and is hereby ADOPTED as filed and for Missouri Intergovernmental Risk Management Association to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 21st day of July, 2022.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

MISSOURI INTERGOVERNMENTAL RISK MANAGEMENT ASSOCIATION

AS OF
JUNE 30, 2021

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, Missouri
May 26, 2022

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full scope financial examination has been made of the records, affairs and financial condition of

Missouri Intergovernmental Risk Management Association

hereinafter referred to as MIRMA or as the Company. Its administrative office is located at 3002 Falling Leaf Court, Columbia, Missouri, 65201. This examination began on January 11, 2022, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state examination of MIRMA. The last examination of the Company by the Department covered the period of July 1, 2011, through June 30, 2016. This examination covers the period of July 1, 2016, through June 30, 2021, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

This examination was conducted using the guidelines set forth by applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri. Standard examination procedures were modified as necessary under the circumstances.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

The Company was formed as a non-profit corporation to establish a self-insurance pool that provides workers' compensation, property, and casualty insurance for cities and municipal utilities in Missouri. The Company commenced business on July 1, 1981. MIRMA operates under the provisions of Chapter 287 (Workers' Compensation Law) and Sections 537.600 to 537.650 RSMo (Sovereign Immunity).

Dividends and Assessments

MIRMA's Articles of Association allow for funds to be returned to members if it is determined that there is a surplus in excess of the necessary financial obligations and reserves. A determination of surplus funds must be determined by the Board of Directors, and any funds that are returned to members are in the form of credits to future premiums. The Company has historically tracked the financial results of each fiscal year to determine if surplus funds are available for premium credits. A member must have been active in a fiscal year in order to receive a premium credit from surplus funds that are returned.

The table below lists surplus distributions payments (premium credits) to members that were approved in the examination period:

Board of Directors Date of Approval	Surplus Distribution Amount	Applicable Fiscal Years
May 2018	\$ 370,000	2006-07, 2007-08, 2009-10
May 2019	1,000,000	2006-07, 2007-08, 2009-10, 2010-11
May 2020	1,000,000	2007-08, 2009-10, 2010-11, 2014-15
May 2021	400,000	2009-10, 2010-11, 2014-15

The Articles of Association also have provisions for supplemental assessments to be collected from members if it is determined that regular annual assessments are not sufficient to meet financial obligations for a fiscal year. However, no supplemental assessments were needed during the examination period.

Mergers and Acquisitions

There were no mergers or acquisitions involving the Company during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The Board of Directors is elected at the annual member meeting. The Bylaws specify that a director must be an official representative from one of the members. Directors are elected in staggered, three year terms. The Company's Bylaws specify that the Board of Directors shall consist of eleven members. The following directors were elected and serving, as of June 30, 2021:

Name	Principal Occupation	Political Subdivision
Darren Berry	City Administrator	City of Vandalia
Robert Boone	Assistant Director of Administration	City of Fulton
Rodney Bourne	General Manager	Rolla Municipal Utilities
Derek Brown	City Administrator	City of Albany
Greg Hodge	Director of Finance	City of Moberly
Jeremy Ihler	Chief of Police	City of Bellefontaine Neighbors
Jill Rickman	Human Resources and Communications Manager	Kennett Board of Public Works
Tim Schook	City Administrator	City of Mountain Grove
J.J. Wiseman	Human Resource Manager	City of Jackson
Jeanette Yount	Finance Clerk	City of Arnold

There were only ten directors serving, as of June 30, 2021, since a Bylaws requirement for eleven directors had only recently been implemented in May 2021. An eleventh director was added in July 2021.

Officers

The officers elected and serving, as of June 30, 2021, were as follows:

Officer	Position
Derek Brown	Chairman
Tim Schook	Vice Chairman
Rodney Bourne	Secretary
Greg Hodge	Treasurer

The Company also employs an Executive Director that is authorized by the Bylaws to supervise and control the day-to-day operations.

Committees

Committees of the Board of Directors that were active during the examination period included an Executive Committee, Nominating Committee, Appeals Committee, and a Risk Management Awards Committee.

Corporate Records

The Company's Articles of Association and Bylaws were reviewed to determine compliance and the purpose of any amendments. There were no amendments to the Articles of Association during the examination period. There were three amendments to the Bylaws during the examination period.

The Bylaws were amended on May 10, 2017, to allow a member utility to have an official representative and to add a section to address tiebreaking procedures during a vote of the Board of Directors. The Bylaws were amended on July 27, 2018, to revise several sections to allow for attendance at Board meetings by video conferencing. The Bylaws were amended on May 8, 2021, to change the required number of directors from ten to eleven.

The minutes of the Board of Directors' and member meetings were reviewed for proper approval of corporate transactions.

Service Providers

MIRMA operated a health program from 2015 to 2019 for members that elected to participate. The health program was spun off into a separate entity, MIRMA Health, which was incorporated in August 2019. MIRMA employees provide administrative services for the daily operations of MIRMA Health. Below are the agreements between the Company and MIRMA Health, as of June 30, 2021.

- **Administrative Services Agreement** – MIRMA will provide all daily administrative and maintenance services for MIRMA Health, except for those services provided by other entities. MIRMA Health pays a per employee, per month fee to MIRMA based upon the estimated annual costs to provide the services. There is a percentage allocation of the salaries and benefit costs for certain MIRMA employees plus estimates for other administrative services, such as travel expenses, legal fees, and office expenses. The agreement requires a true-up to actual costs twice per year.
- **Borrowing Agreement** – MIRMA agrees to loan MIRMA Health funds, as needed, from October 1, 2019 to December 31, 2022. Any loan balances will accrue interest equal to the monthly yield of MIRMA's investment portfolio. The Company reported no loans issued or outstanding under this Agreement during the examination period.

Some business functions are outsourced to third parties. Below is a summary of the significant service providers utilized, as of June 30, 2021:

- **Lockton Companies** – An insurance broker that obtains quotes for MIRMA's reinsurance coverages. This broker also obtains quotes for the airport liability and cyber liability coverages from third-party insurers.
- **Tiller Consulting Group, Inc.** – An actuarial firm that provides premium rating services and determines Incurred But Not Reported (IBNR) reserves for losses and loss adjustment expenses.
- **Virtual Academy** – A firm that provides on-line safety training for police officers.
- **The Praetorian Group** – A firm that provides on-line safety training through a program named LocalGovU. The training includes various safety areas, such as equipment operation, driving, parks and recreation, and first responders.

TERRITORY AND PLAN OF OPERATION

As of June 30, 2021, the Company had 94 members, consisting of 90 cities and 4 municipal utilities, that are all located in Missouri. All members combined have approximately 8,000 employees. The typical member city is in either a rural area or a small suburban area. The average population for a member city is approximately 4,500. The largest member, City of Fulton, accounted for 5% of total assessments (premiums) for the 2020-21 fiscal year.

The Company's Executive Director is responsible for marketing and attracting prospective entities to apply for membership. The Executive Director also performs underwriting reviews in accordance with established guidelines and ultimately determines if an application for membership should be approved.

MIRMA provides workers' compensation, liability, and property insurance as part of the self-insured program for members. MIRMA purchases insurance policies to insure members for airport liability and cyber liability risks. Assessments (premiums) are charged to members based upon the level of annualized payroll at each member city or utility.

The Company has a risk management award program that allows members to apply for grants to purchase safety equipment. The goal of the program is to eliminate or reduce a loss exposure with the equipment purchases. Examples of safety equipment that can be purchased with an award are dashboard cameras and body cameras for police departments. Total awards granted under this program are usually in excess of \$200,000 per year.

MIRMA uses a fiscal year from July 1 to June 30. Annual assessments (premiums) are billed around May 15 each year and members have 45 days to make payments.

GROWTH OF COMPANY

The table below shows the Company's membership and assessments (premiums) collected for each fiscal year of the examination period.

Fiscal Year	Number of Members	Assessments Collected
2016-17	79	\$13,296,869
2017-18	80	13,563,280
2018-19	81	13,755,886
2019-20	87	13,911,417
2020-21	94	15,604,711

As shown above, there were small to moderate increases in membership each year with similar increases in assessments.

Below is a yearly summary of the Company's reported net position (surplus) for the examination period:

<u>As of Date</u>	<u>Surplus</u>
June 30, 2017	\$17,763,441
June 30, 2018	19,153,259
June 30, 2019	19,708,049
June 30, 2020	20,879,741
June 30, 2021	21,313,657

The Company increased surplus each year due to net income.

REINSURANCE

Assumed

The Company does not assume any business.

Ceded

Reinsurance for workers' compensation, liability, and property insurance is reviewed annually by the Lockton Companies and the Board of Directors. All reinsurers utilized by MIRMA during the 2020-21 fiscal year had an AM Best rating of A (Excellent) or better. The reinsurance coverages in effect, as of June 30, 2021, are described below.

Workers' compensation and employers' liability reinsurance is provided in an excess of loss agreement with Midwest Employers Casualty Company. The agreement covers workers' compensation losses up to statutory limits in excess of the Company's retention of \$1,250,000 per accident. Employers' liability losses are covered up to \$2,000,000 in excess of a \$1,250,000 retention. The agreement has an annual aggregate limit of \$5,000,000.

Liability reinsurance is provided in an excess of loss agreement with General Reinsurance Corporation. The agreement covers general liability losses up to \$3,000,000 in excess of the Company's retention of \$1,000,000 per occurrence. The agreement covers auto liability losses up to \$4,500,000 in excess of a \$1,000,000 retention. The agreement has aggregate limits of \$5,000,000 per member and \$25,000,000 for MIRMA.

Property reinsurance covers losses up to a limit of \$100,000,000 with a Company retention of \$1,000,000 per occurrence. There were eight participating reinsurers in the property reinsurance program for the 2020-21 fiscal year. The participation percentage and coverage layer varies for each reinsurer.

Boiler and machinery reinsurance covers equipment breakdown perils and is provided through an excess of loss agreement with Travelers Indemnity Company. The agreement covers losses up to \$100,000,000 in excess of a \$500,000 retention, per occurrence.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement or policy.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Sikich, LLP (Sikich), in St. Louis, Missouri, performed an audit of the Company's June 30, 2021, financial statements. The CPA firm, Hochschild, Bloom and Company, LLP (HBC) performed audits of the Company's financial statements for the prior four years of the examination period, as of June 30, 2017, 2018, 2019 and 2020. Sikich acquired HBC in December 2020. Sikich's workpapers for the audit of the June 30, 2021, financial statements were reviewed and used in the course of the examination as deemed appropriate.

External Actuary

The estimates for loss reserves and loss adjustment expense (LAE) reserves recorded, as of June 30, 2021, and for other years of the examination period were provided by Margaret Tiller Sherwood, FCAS, FSA, MAAA, of Tiller Consulting Group, Inc., in St. Louis, Missouri.

FINANCIAL STATEMENTS

The following financial statements are based on the financial statements filed by MIRMA with the Missouri Department of Commerce and Insurance and present the financial condition of the Company for the period ending June 30, 2021. The accompanying “Comments on Financial Statement Items” section reflects any examination adjustments to the amounts reported and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination, which are not shown in the “Comments on Financial Statement Items” section. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each individual financial statement item.

ASSETS
as of June 30, 2021

Certificates of Deposit	\$ 4,826,508
Bonds	20,156,249
Cash and Cash Equivalents	33,432,862
Accrued Interest	83,858
Accounts Receivable	100,011
Insurance Recoverable	12,175
Prepaid Expenses	179,985
Capital Assets	<u>561,527</u>
TOTAL ASSETS	<u>\$59,353,175</u>

LIABILITIES AND SURPLUS
as of June 30, 2021

Claim Reserves	\$20,058,717
ULAE Reserves	153,479
Accounts Payable	195,937
Unearned Member Assessments	17,429,550
Accrued Payroll Expense	<u>201,835</u>
TOTAL LIABILITIES	<u>\$38,039,518</u>
NET POSITION (SURPLUS)	<u>\$21,313,657</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$59,353,175</u>

STATEMENT OF REVENUES AND EXPENSES
For the Year Ended June 30, 2021

Member Assessments	\$15,604,711
MIRMA Health Administration	270,032
Miscellaneous Income	13,476
Net Investment Income	<u>113,885</u>
Total Revenues	\$16,002,104
Losses Incurred	\$ 8,862,163
Excess Insurance and Bond Premiums	3,708,137
Claims Adjustment Expenses	207,855
Brokerage Fees	180,000
Loss Control Services	94,668
Change in ULAE Reserves	8,563
General and Administrative Expenses	2,004,483
Taxes and Fees	353,399
Risk Management Awards	<u>148,918</u>
Total Expenses	\$15,568,186
NET INCOME	<u>\$ 433,918</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from June 30, 2021, through the date of the report.

ACKNOWLEDGMENT

The assistance and cooperation extended by Missouri Intergovernmental Risk Management Association during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Tim L. Tunks, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Missouri Intergovernmental Risk Management Association, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Tim L. Tunks
Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce
and Insurance

Sworn to and subscribed before me this 30th day of June, 2022.

My commission expires: March 30, 2023 Hailey Lubbert
Notary Public



HAILEY LUBBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with the guidelines set forth by applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri has been confirmed.

Michael R. Shadowens

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce
and Insurance