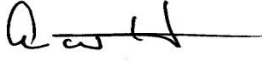




MONTANA MUNICIPAL INTERLOCAL AUTHORITY LIABILITY PROGRAM

TO: Jessica Chamberlin
City of Sidney

FROM: Alan W. Hulse, CEO 

DATE: April 7, 2023

RE: **LIABILITY RETRO DISTRIBUTION MEMO 2023/2024**

The Program Agreement for the MMIA Liability Risk Retention Program specifies that a retrospective assessment adjustment calculation (retro) be performed each year. The purpose of the retro calculation is to make adjustments to account for the difference between expected claims and actual claims. Retro calculations are driven by individual member loss experience as well as overall pool loss experience. See the Liability Program Agreement for a description of the calculation methodology.

Each year the MMIA Board of Directors reviews the Liability Program's financial position. The Board makes a determination on whether to distribute money back to members, collect extra money from members through assessments, or take no action.

The MMIA Board of Directors has chosen to distribute \$500,000 back to the membership in the MMIA Liability Program. This marks the tenth consecutive year the MMIA has distributed money back to the membership. Over the past ten years, the MMIA has distributed a total of \$24,500,000 to our members. This is truly a testament to the Memberships' overall efforts in managing exposures in your communities and practicing proactive risk management.

Fund distributions are allocated as follows:

- 30% will be returned to members based on their percentage of a five-year average of premiums collected in a period ending five years prior to the current year. Members with a negative fund balance will not receive a distribution; their allocation will be applied against their negative fund balance. This change will result in gradual decrease in members fund deficit.
- 70% will be returned to only those members with positive fund balances as of latest Member Accounting Statement date. Those with negative fund balances as of that date will not be assessed anything, but neither will they receive anything from this part of distribution. Those with positive fund balances will receive amounts based on their percentage of the total positive fund balance for the statement date to be used for the allocation.

The City of Sidney distribution for this year will be **\$7,601.00**.

Those members receiving distributions may elect to deduct their distribution from their Liability assessment due in August or to receive the entire amount in check form. Should you elect to receive your distribution by check, please send an email to finance@mmia.net no later than June 15, 2023. Include the name of your city/town along with 'check please' in the subject line of the email. If we do not receive your email indicating your preference for a check, we will include a credit on your liability assessment invoice sent in late July. All requested distribution checks will be issued no later than July 15, 2023.

This is not an invoice. Please do not forward monies. If you have questions, please do not hesitate to call Kayla Forgey or J.T. Linder at 800-635-3089.

Additional Information

The member accounting process includes the allocation of the total Liability Program revenue, expense, and changes in unpaid claims liabilities for each fiscal year since the inception of the program. Each member receives an annual report outlining their "Change in Net Position". Each fiscal year the change in net position increase (decrease) is added to (subtracted from) the ending cumulative net position for the previous fiscal year, calculated by member. The member accounting revenue allocated includes assessments, start-up fees, investment income, and other non-operating revenue. The member accounting expenses allocated include claims paid, administration and operating expenses, and other non-operating expenses. The member unpaid claims liabilities allocated include estimated claims reported but unpaid, estimated claims incurred but not reported and loss development, and estimated related adjustment expenses. In any given year, this methodology may be changed based on a determination of the Board in consultation with the Program Actuary.

Retroactive Assessments

Retro Assessments have been a rare event, given the Board's ability to monitor and affect the target equity range annually through regular funding processes. In the event an assessment is necessary, and after the Board has determined the total amount to be assessed, the members will be assessed as follows:

- 30% will be assessed to members based on their percentage of a five-year average of premiums collected in a period ending five years prior to the current year.
- 70% will be assessed to only those members with negative fund balances as of the latest Member Accounting Statement date. Those with positive fund balances as of that date will not be assessed for any part of this 70%. Those with negative fund balances will be assessed amounts based on their percentage of the total negative fund balance for the statement date to be used for the allocation.

