

2019 Annual Report



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Dear Members,

Thank you for making 2019 another remarkable year. As the decade closes out, we look back and recognize it as a year of change at NLC Mutual. Yet we held steadfast in our obligations to deliver on our promise to provide stable reinsurance coverage and pricing, with a focus on our members and financial health.

With change comes opportunity to view our business through a different lens. The NLC Mutual team is focused on providing innovative solutions to ensure we keep our members' needs at the forefront of every decision we make. We are a member-owned and member-governed captive pool that supports our members' pools by aligning our interests with theirs. We understand the fiscal responsibility you have entrusted to us and are pleased that once again we were able to share with our members a financial allocation and dividend. We've highlighted some of our accomplishments in the following pages.

We had three NLC Mutual employees retire this year who were all integral parts of our company. Bill Heberton, President & CEO, retired in July after 12 years with NLC Mutual. He led NLC Mutual to a financially secure position and laid the groundwork for enhanced member services, including our data initiative using Domo technology. This business intelligence tool has allowed our members greater ability to analyze individual pool and cumulative information in an informative, visual way that can help drive risk management decision-making. Additionally, Claire Reiss, the

Director of NLC-RISC, and Dorothy Cheek, our Regulatory Compliance Assistant, retired in 2019. We wish them well in their new retirement adventures. We've included more about them and changes to our current staff in this Report.

With Bill's retirement we welcome Jill Eaton as our new President & CEO. Jill's background working with public entity pools to help them meet their reinsurance needs was a natural fit for Mutual and she has jumped right in, working with our members to continue the commitment to our mission and vision. She is dedicated to outreach and looks forward to working with each of you.

"People, Purpose, Passion" defines our company. We thank you for your support throughout the year! We've worked to make this Annual Report one that shares important information with you in a visually appealing, efficient layout. Please reach out to any of your NLC Mutual team with feedback and suggestions. We look forward to hearing from you and continuing to work with you.

Scott A. Hancock
Chair, Board of Directors

Jill L. Eaton
President and CEO



www.nlcmutual.com



PERFORMANCE HIGHLIGHTS



1

\$18.4 million

of operating income was achieved through superior investment and underwriting results.



2

\$173.4 million

of member surplus, an increase of 13.5% from year-end 2018.



3

94.4%

is the combined ratio for 2019. This was driven by favorable claims development and a significant take-down in reserves for older policy years.



4

4.96%

is the earned income return on invested assets, which generated **\$17.4 million** of investment income on a statutory basis.



5

26.2%

is the growth in gross premium, which was driven by new writings in all three lines of business.



FINANCIAL POSITION

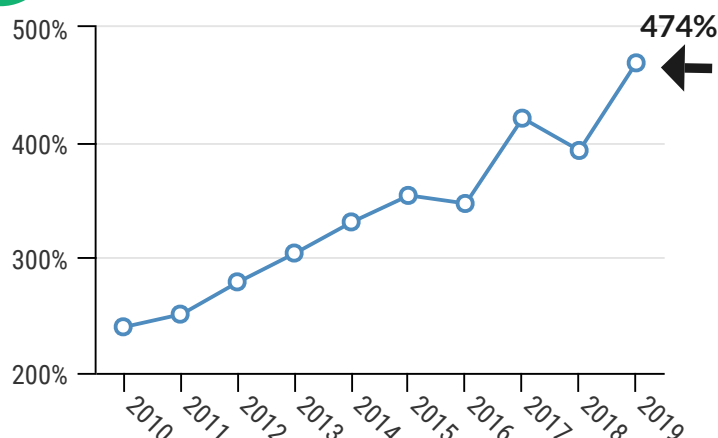
2019 was a record-breaking year for NLC Mutual. We earned an all-time company record for operating income of **\$18.4 million**. This was achieved through superior investment results, while also aided by profitable underwriting results. This exceptional year continued to move our surplus and risk-based capital ratio along its upward trajectory.



MEMBER SURPLUS



RISK-BASED CAPITAL RATIO

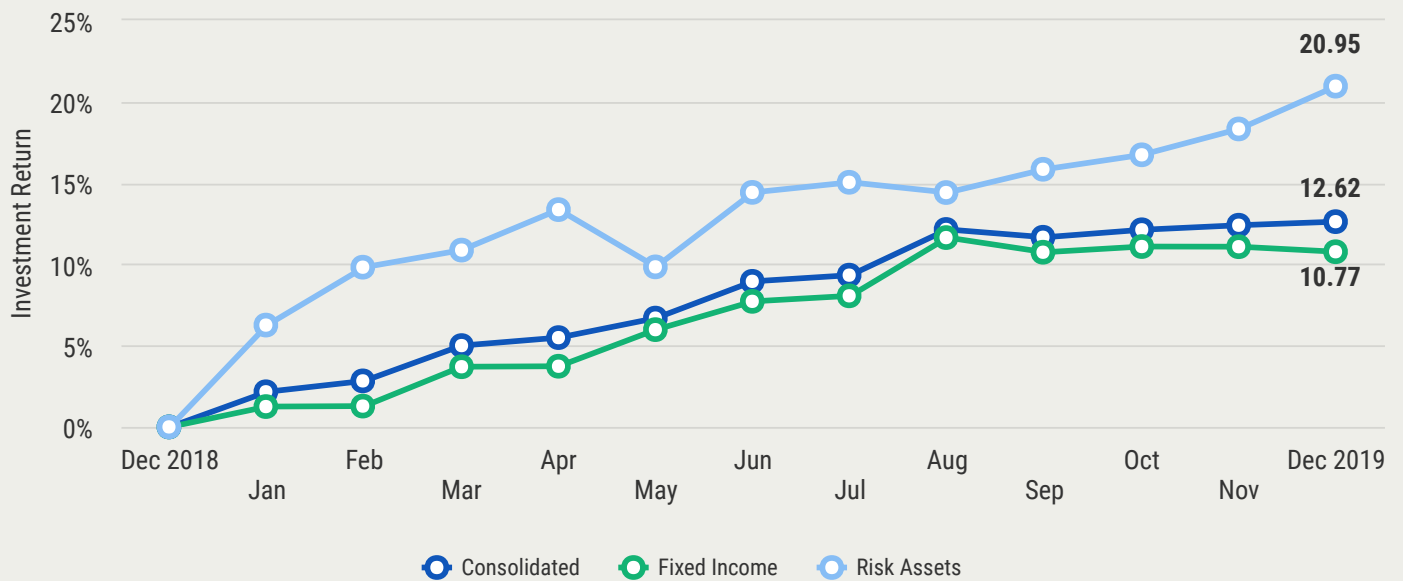


ANNUAL MEMBER EARNINGS

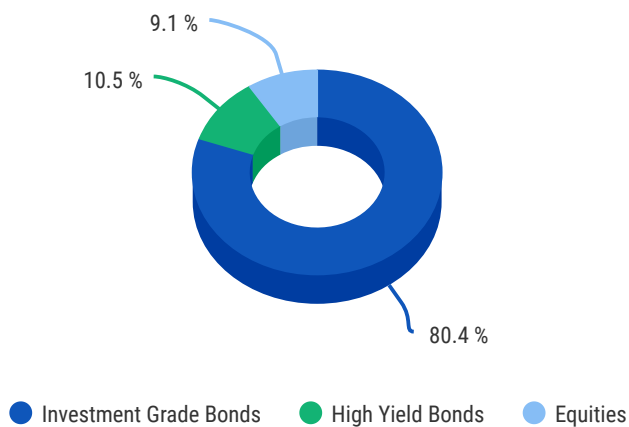
Year	Member Allocation	Member Dividend
2019	\$12,042,208	\$1,891,809

INVESTMENTS YEAR IN REVIEW

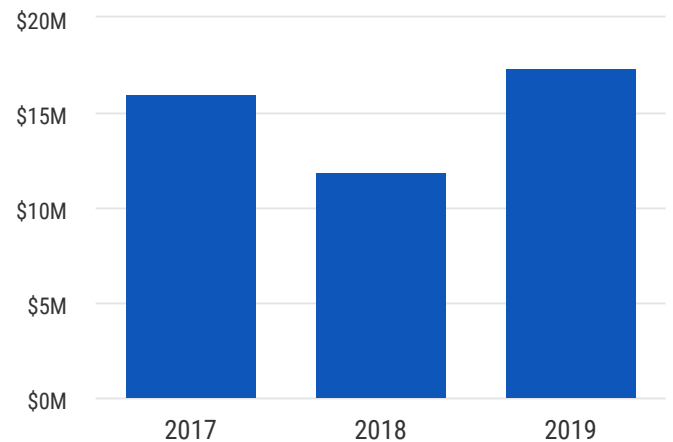
PORTFOLIO PERFORMANCE (TOTAL RETURN)



ALLOCATION OF PORTFOLIO AS OF DECEMBER 31, 2019

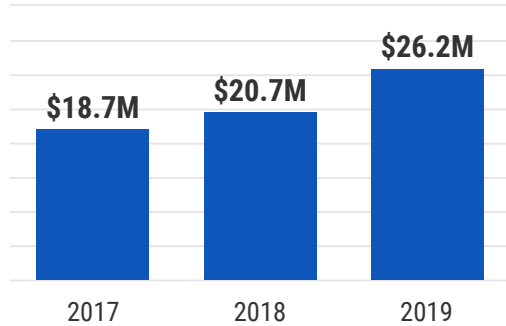


NET INVESTMENT INCOME (STATUTORY BASIS)



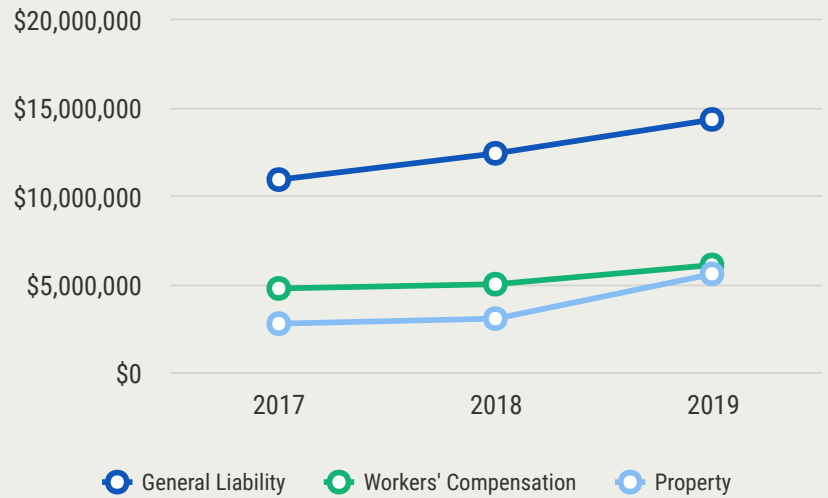
UNDERWRITING YEAR IN REVIEW

GROSS WRITTEN PREMIUM*

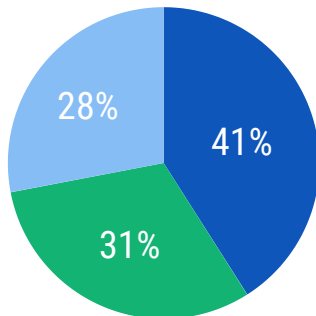


*Rounded Calculation

GROSS PREMIUM HISTORY BY LINE

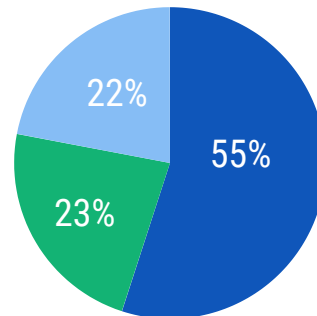


NET PREMIUM SOURCES



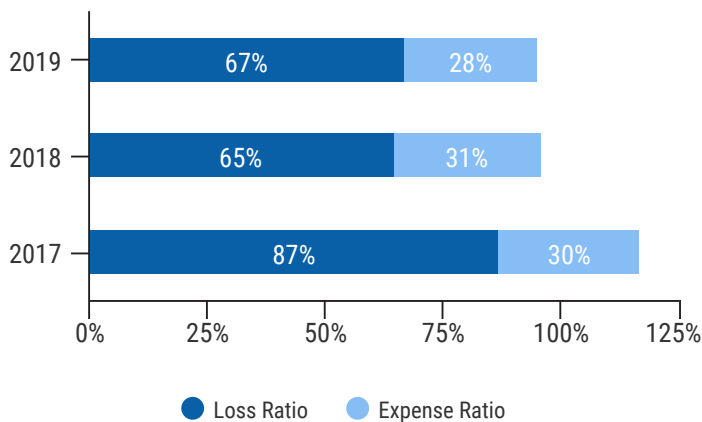
● Liability ● Workers' Compensation ● Property

GROSS PREMIUM SOURCES



● Liability ● Workers' Compensation ● Property

CALENDAR YEAR COMBINED RATIOS



● Loss Ratio ● Expense Ratio

NOTABLE MENTIONS



1

NEW PURCHASING MEMBER



20

BUYING MEMBERS



5.4M

GROSS PREMIUM GROWTH



Cyber Liability Offerings

NetDiligence*



Brandable loss control portal for your members



Toolkits and sample policies



IT worksheets and settings suggestions



Customizable breach cost calculators



News, Trends, and Analysis

Tokio Marine HCC



Bolt-on or standalone insurance and reinsurance solutions



Pre-approved pricing structures to streamline quoting process



Underwriting requirements waived on members seeking limits of \$250k and below



In-house claims handling & breach coaching



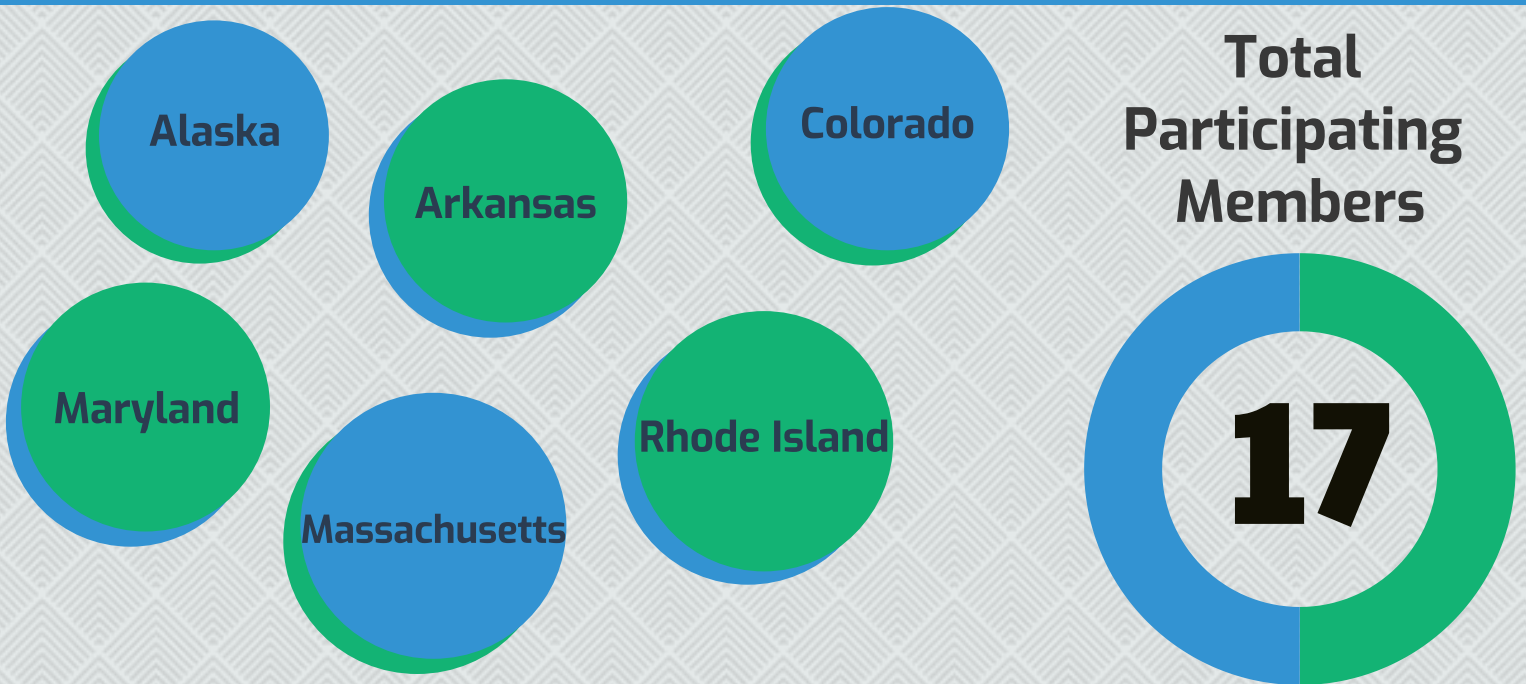
Loss control portal for your membership

*through NLC-RISC



DOMO. Data Empowerment.

In 2019, six member state league sponsored insurance pools joined our NLC Mutual Data Initiative.



The Board approved the funding of the initiative for all interested members.

Our Domo Team

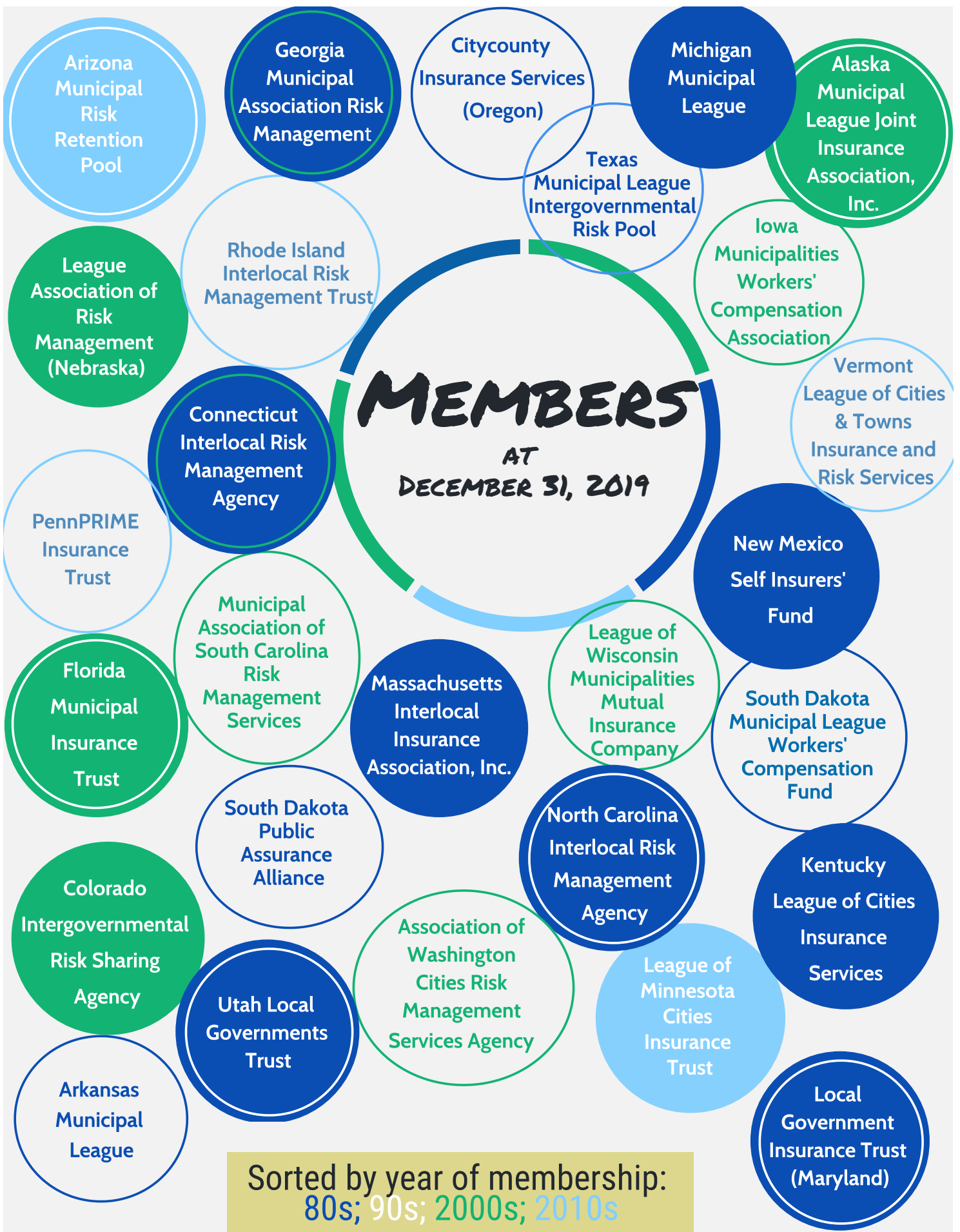
With the addition of Mark Snodgrass as our Director, Member Data Strategist, he and Ryan Draughn, Director of Information Technology, have helped our members enhance their usage and understanding of Domo.

Domo Usage

996 cards were created in Domo, which provided members with better insights into their claim trends and maximized their usage.

New Data/ New Analyses

13 states established automated feeds of their data. Aggregated data of participating members included 1.15 million claims with reported losses of over \$6.35 billion.



2019 NLC MUTUAL OFFICERS AND BOARD OF DIRECTORS



Officers*

Chair of the Board
Scott A. Hancock
Maryland Municipal League

First Vice Chair
Ian C. Ridlon
Rhode Island Interlocal Risk Management Trust

Second Vice Chair
Jonathan G. Steiner
Kentucky League of Cities

President & Chief Executive Officer
Jill L. Eaton
NLC Mutual Insurance Company

Vice President – Underwriting
Michael J. Kruse
NLC Mutual Insurance Company

Vice President – Actuary
Chris C. McKenna
NLC Mutual Insurance Company

Treasurer
David A. White
AIG

Secretary
Clarence E. Anthony
National League of Cities

Board of Directors

Stanley J. Corcoran
Massachusetts Interlocal
Insurance Association

Joe F. Damiata
Vermont League of Cities & Towns

Stan G. Deese
Georgia Municipal Association

David J. Demchak
Connecticut Interlocal Risk
Management Agency

Michael J. Forster
Michigan Municipal League

William F. Fulginiti,
Chairman Emeritus
New Mexico Municipal League

Jeannie M. Garner
Florida League of Cities

Dan J. Greensweig
League of Minnesota Cities

Scott A. Hancock
Maryland Municipal League

Steven A. Hansen
Utah Local Governments Trust

Mark R. Hayes
Arkansas Municipal League

Jeff S. Hovey
Iowa League of Cities

Peter B. King
Association of Washington Cities

Paul A. Meyer
North Carolina League
of Municipalities

David A. Pfeifle
South Dakota Public Assurance Alliance

Patrick E. Priest
Citycounty Insurance Services

L. Lynn Rex
League of Nebraska Municipalities

Heather M. Ricard
Municipal Association of South Carolina

Ian C. Ridlon
Rhode Island
Interlocal Risk Management Trust

Rick J. Schuettler
Pennsylvania Municipal League

Kevin R. Smith
Alaska Municipal League
Joint Insurance Association

Jonathan G. Steiner*
Kentucky League of Cities

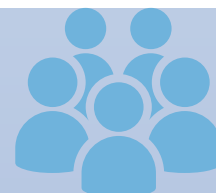
Ken L. Strobeck
League of Arizona Cities and Towns

Tami A. Tanoue
Colorado Intergovernmental
Risk Sharing Agency

Jeff R. Thompson
Texas Municipal League
Intergovernmental Risk Pool

Dennis G. Tweedale
League of Wisconsin Municipalities

*at December



2019 COMMITTEES

Standing Committees

Executive

Scott A. Hancock, Chair
Ian C. Ridlon, First Vice Chair
Jonathan G. Steiner,
Second Vice Chair*
Stanley L. Corcoran
William F. Fulginiti
Jeannie M. Garner
Paul A. Meyer
Heather M. Ricard
Jeff R. Thompson



Other Committees

Nominating

Ken L. Strobeck, Chair
Jeannie M. Garner
Mark R. Hayes
Jeff S. Hovey
Heather M. Ricard

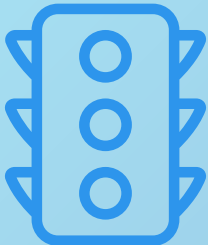


Claims Management and Loss Control

Stanley L. Corcoran, Chair

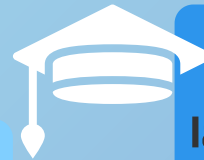
Joe F. Damiata
Michael J. Forster
Steven A. Hansen
David A. Pfeifle
Ian C. Ridlon

Rick J. Schuettler
Tami A. Tanoue
Jeff R. Thompson
Dennis G. Tweedale



Scholarship

Ian C. Ridlon, Chair
David J. Demchak
Dan J. Greensweig
Steven A. Hansen
Patrick E. Priest



Investment

Jeannie M. Garner, Chair
David J. Demchak
Mark R. Hayes
Peter B. King
Paul A. Meyer
Kevin R. Smith
Jonathan G. Steiner
Ken L. Strobeck



Underwriting

Heather M. Ricard, Chair
Dan J. Greensweig, Vice Chair
Stan G. Deese
William F. Fulginiti
Scott A. Hancock
Jeff S. Hovey
Patrick E. Priest



CEO Search

Scott A. Hancock, Chair
Clarence E. Anthony
Bill F. Fulginiti
Dan J. Greensweig
Ian C. Ridlon
Ken L. Strobeck



*at December

Donald L. Jones Scholarship

NLC Mutual continues to honor Don Jones for his outstanding service to NLC Mutual and to state league pooling

In special recognition of his service as Secretary/Treasurer of the Company since its inception to his retirement in 1999, we share that Don Jones passed away this year. To honor his legacy and to celebrate the 20th anniversary of the scholarship program, the Company approved an increase of funds available for the 2020- 2021 scholarship year.



18 Record # of submissions received for the 2019-2020 academic year

Students selected were first-time applicants pursuing their studies at an accredited college or university.

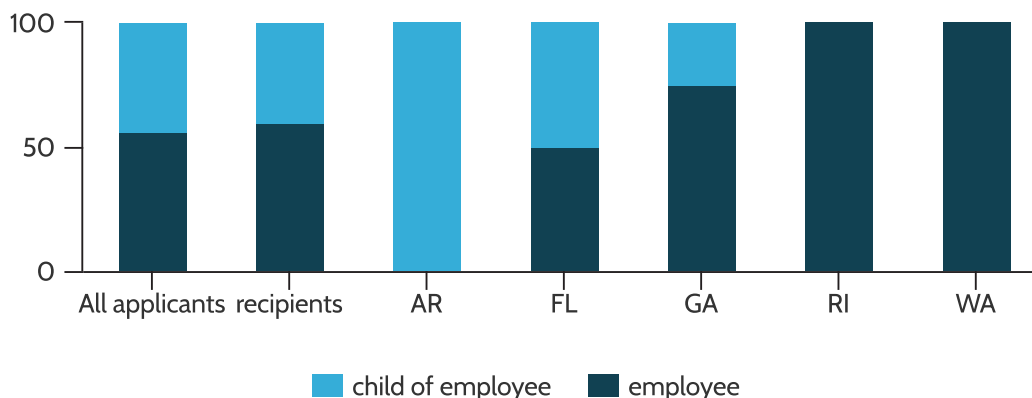
10



Studies included an emphasis in public administration, insurance, risk management, finance and accounting, IT, loss control, or industrial hygiene

\$21,500 awarded to employees and their children

% of applicants with recipients by their states



People. Purpose. Passion

2019 NLC Mutual Staffing

NEW PRESIDENT/CEO



JILL L. EATON

The Board unanimously approved the appointment of Jill Eaton as the new President/CEO of NLC Mutual Insurance Company. The Board valued her more than 25 years of experience in insurance and strategic partnership and welcomed her multi-faceted expertise and executive experience to build on NLC Mutual's success and accomplishments. She assumed her new role when Bill Heberton retired in July.

2019 PROMOTIONS AND HIRES



HEATHER BURGESS

With succession planning, Heather was introduced to underwriting and demonstrated her strengths and compatibility for the reinsurance facility. Her capabilities and interest enabled her transition from NLC-RISC Program Coordinator to Underwriter.



ERIN RIAN

With Claire Reiss's retirement on February 15th, an integrated staffing model provided Erin the opportunity to lead the NLC-RISC program as part of her Director of Member Services role.



MARK SNODGRASS

Mark was hired as the Director, Member Data Strategist and successfully applied his skills and expertise to the data initiative, becoming a valued resource for members.

People. Purpose. Passion

2019 Retirements

2019 STAFF RETIREMENTS



BILL HEBERTON

Bill had served as Executive Officer of the Company since December 2006 and was grateful for the support of the Board and the membership in helping him rebuild and transform

the Company to provide increasingly greater levels of service and value. He recognized the growth and development of the Company's core management team and was confident that NLC Mutual was well positioned to continue its support to the state league sponsored pooling community.



CLAIRE REISS

Claire had served as Director of NLC-RISC and NLC Mutual in the Executive Officer position of Assistant Secretary for almost eight years. Her first adventure following retirement was a

safari trip to Africa.



DOROTHY CHEEK

Dorothy retired from her position as the Company's Regulatory Compliance Assistant in March. Since she began her career in 1986 working in various capacities at NLC, we

celebrated her retirement with an 80s theme party and appreciated the decades of service she had provided.

2019 BOARD RETIREMENTS

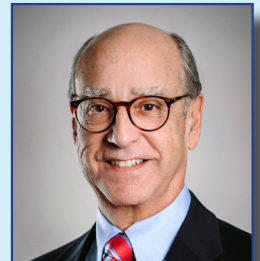
LYNN McNAMARA

Retired from CityCounty Insurance Services in Oregon March 2019; Served on NLC Mutual Board of Directors since 2010, including as the Chair



KEN STROBECK

Retired from the Arizona Municipal Risk Retention Pool; Served multiple terms on the Board, most recently since 2018



DENNIS TWEEDALE

Retired from the League of Wisconsin Municipalities; Served on the Board since 2005



STAFF OF NLC MUTUAL AT DECEMBER 31ST

Jill L. Eaton
President and Chief
Executive Officer

Heather Burgess
Underwriter

Ryan Draughn
Director of Information
Technology

Michael J. Kruse
Vice President for
Underwriting

Sheila Lane
Reinsurance Associate

Chris McKenna
Vice President & Actuary

Fred Niner
Reinsurance Accountant

Erin Rian
Director of Member
Services

Mark Snodgrass
Director, Member Data
Strategist

Jenny Wade
Senior Coordinator

People. Purpose. Passion.

The purpose of NLC Mutual Insurance Company is to meet the reinsurance, risk financing, and risk management needs of the state municipal league sponsored municipal risk pools throughout the United States through:



Anticipating and responding to the reinsurance needs of its membership in a changing environment



Tailoring quality reinsurance and risk management programs to meet its membership's requirements



Ensuring the availability of reinsurance programs that reflect adequate pricing and sound loss reserving to promote long term sustainability



Creating stability in the marketplace by providing required capacity for its membership

NLC Mutual Insurance Company Mission Statement

In the execution of its mission, NLC Mutual Insurance Company adheres to core values that are essential to its operation and are critical in its decision-making:

#1 NLC Mutual is a member owned and governed organization, and each participating member has an equal voice in directing NLC Mutual in the successful execution of its mission.

#2 All members share a mutual commitment to act in concert to address the challenges and perfect the opportunities encountered by NLC Mutual.

#3 NLC Mutual openly shares its information, expertise and resources for the common good of all members.

#4 NLC Mutual and its membership operate with sound insurance expertise, disciplined decision-making, and expert delivery of services, all of which build financial strength and ensure successful, continued operation.

#5 NLC Mutual is committed to assembling and maintaining a team of professional staff and service providers who are totally dedicated to serving the interests of the entire membership.

#6 We value the relationship with the National League of Cities, which is of utmost importance to the success of the Company. The Company will strive to maintain a mutually beneficial relationship with NLC.

Strategic Goals

Continue to Build Upon the Financial Growth and Stability of the Company



Develop Strong and Enhanced Offerings & Capabilities



Build Strategic Advantage through Data & Technology



Enhance Member Engagement, Outreach & Communications



Develop a Staffing Model Designed to Meet Future Needs

