

NLC
MUTUAL
INSURANCE COMPANY



2020

Annual Report

THRIVING IN THE FACE OF ADVERSITY, TOGETHER

COVID-19 Defined the Year

NLC Mutual redefined member service and thrived in the face of adversity.



**VIRTUAL
BOARD &
COMMITTEE
MEETINGS**

**COVID-19
POOL
PROJECTION
MODEL**

**RESOURCE
MATERIALS
FOR MEMBERS
ON WEBSITE**

**ONLINE
FIRST
NOTICE OF
LOSS (FNOL)
FORM**

**MONTHLY
EXEC. &
INVEST.
COMMITTEE
MEETINGS**

Not even a pandemic could slow down the NLC Mutual family. In 2020, we created new ways of doing business, provided new resources, and invited members to share new COVID claims data. Our work environments became 100% remote, yet our relationships became more engaging as we defined and refined a new normal.

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Our members are at the heart of everything we do at NLC Mutual Insurance Company. But we are not just a Mutual company, we are a community. A community of risk takers, advocates, thinkers, and innovators. And our grit and determination were never tested more than in 2020.

Before our country was shut down in February, we were greatly saddened with the news of the passing of Bill Fulginiti. One of our founders, our leader, our friend. We've included in this report how we are honoring his legacy and how we kept Bill at the forefront of our minds when we created the William F. Fulginiti Legacy Award. It was a poignant moment in July to realize he was not at our Board meeting. He will forever be a part of our community and is greatly missed.

When the pandemic hit we saw the effect on our communities both personally and professionally. Our members rose up and persevered and found ways to manage the economic and social impact of it. All while trying to maintain work culture and deliver information. Video conferencing became the norm, and Mutual was no different as we conducted our Board meetings virtually in both July and December.

The pandemic has also accelerated deeper trends from political turmoil to systemic inequalities. NLC Mutual has remained strong during this year because we stayed focused on our values. This includes racial awareness and a commitment to diversity and inclusion, and has become a priority with Mutual. This will not be a "get it to the done pile" activity, but a paradigm shift. We have included it in our Mission Statement's Core Values and continue to push for ways to work with historically black colleges and universities (HBCUs) to recognize that we need to challenge ourselves in all areas of our community to do more.

Through all of this, the insurance marketplace continued to harden with an increasing detrimental effect on public entities. These included premium increases regardless of loss history, a shortening of available

limits, demands for higher SIRs, more restrictive policy language, and commercial markets exiting the public entity market. This turmoil and dislocation has reinforced the vital work that pools do as they continue to maintain structures that protect them during these types of market conditions. It has also fortified the critical work that Mutual does, as a pool of pools, to support our members during these burdensome times. We continue to challenge ourselves to look for ways to do more for our members which is highlighted in this report.

In the midst of these extraordinary times we remain as committed as ever to our long-term strategy. We are especially pleased with our solid financial performance, which includes a 40% increase on earned premium growth, a net income of \$18.1 million, surplus increase of \$20.7 million (statutory basis) and our largest return of allocated dividends of more than \$19 million to our member owners.

Additionally, the Vermont Department of Financial Regulation conducted their 5-year examination of NLC Mutual with an excellent outcome with no comments or suggestions.

The OneNLC family remains passionate about collaboration. This community that includes the National League of Cities, the Risk Information Sharing Consortium, and the Mutual Insurance Company will continue to stand together to empower and raise the voice of cities. We embrace wisdom, courage, humanity, justice, equity, and empathy.

We have missed seeing you in person. We look forward to when it will be safe to travel and gather together.

Thank you for all of your support!!



Scott A. Hancock

Chair, Board of Directors



Jill L. Eaton

President & CEO

Mission Statement

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; and,
- Creating stability in the marketplace by providing required capacity for its membership.

Strategic Goals

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

Build Strategic Advantage through Data & Technology

Develop Strong and Enhanced Offerings & Capabilities

Enhance Member Engagement, Outreach & Communications

Develop a Staffing Model Designed to Meet Future Needs

Core Values

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:

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.



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

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

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.

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.

NLC Mutual values 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.



We are a Company that values diversity. We will actively provide opportunities to be inclusive of all people and to build racial equity and diversity into our workforce, especially recognizing the importance of inclusivity with BIPOC employees within our membership, partnerships, the industry, and educational institutions.

In Memory of
William F. Fulginti

April 19, 1941 - February 26, 2020



**NLC Mutual Chair,
Board of Directors
1986 - 2015**

**Chair Emeritus
2015 - 2020**

**New Mexico
Municipal League Director**

**Founding Member
of NLC Mutual
Insurance Company**

**Board Member previously for
NLC-RISC and twice for NLC**

"When we started organizing this company in the early 1980s, I don't think any of us had any idea of the challenges we faced, nor did we know whether it would work. I think the record is now clear that it has worked, extremely well in fact. We confronted the challenges, I think quite successfully."

-Bill Fulginiti

Bill Fulginiti was a driving force in the formation of the Company, and his leadership and contributions led to its growth and advancement.

His legacy remains with us always.

William F. Fulginiti Legacy Award

To honor Bill and his commitment to mentorship and community, the Board established an award to recognize the exemplary work of an individual representing an NLC Mutual Member League or Pool. This opportunity celebrates the valuable contributions our members make, the positive impact one person can have, and memorializes Bill and the continuation of his legacy. Five strong applications were received in the inaugural year.

Michael Sittig *selected as the first award recipient*

**Executive Director
Emeritus of the Florida League of Cities
(FLC)**

**NLC Mutual Board of Directors
2000 – 2017**

48 years of service to our community

Mike is acknowledged for taking risks, exploring new opportunities, exhibiting his desire to make others in this community strong, and for committing to the NLC Mutual family. He will be recognized as the recipient at our next in-person Board meeting.



Committee Members:

Stan Corcoran, David Pfeifle, Lynn Rex, Jeff Thompson, and Scott Hancock, ex-officio

Performance Highlights



\$21.8 million

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



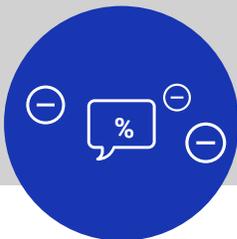
\$194.2 million

of member surplus, an increase of 11.9% from year-end 2019.



\$411.1 million

of assets, an increase of 7% from year-end 2019.



72.8%

is the combined ratio for 2020. This was driven by favorable claims development and a significant take-down in reserves for older policy years.



4.21%

return on investments, on a statutory basis, which generated **\$15.3 million** of investment income.



26.9%

growth in net written premium, which was driven by new property writings.

Financial Position

NLC Mutual earned a record for operating income of **\$21.8 million**. The operating income was primarily due to 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 while allowing us to give **\$3.68 million** through dividends and allocate an additional **\$15.6 million** of surplus to members.

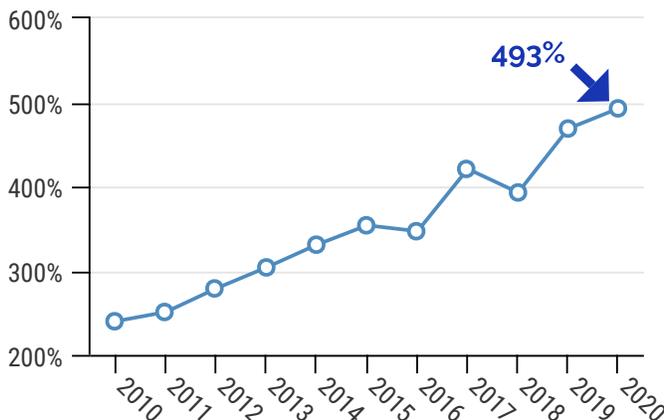


Member Surplus

\$194.2 Million



Risk-Based Capital Ratio



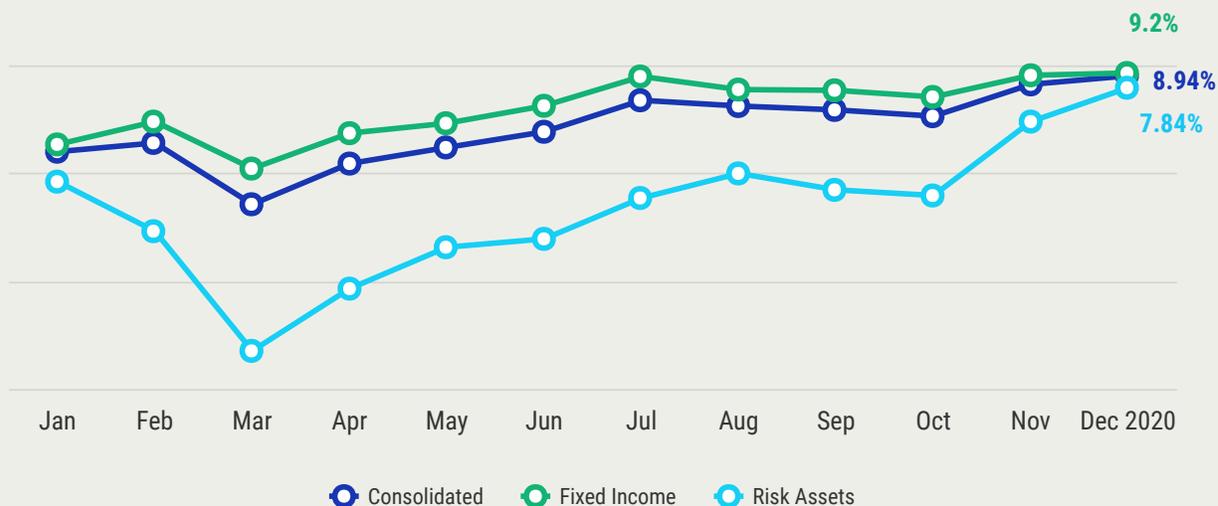
Annual Member Earnings

Year	Declared Dividend	Declared Allocation	Member Earnings
2017	\$2,298,464	\$10,544,598	\$12,843,062
2018	\$1,782,884	\$9,342,057	\$11,124,941
2019	\$1,891,809	\$10,150,399	\$12,042,208
2020	\$3,676,334	\$15,615,943	\$19,292,277

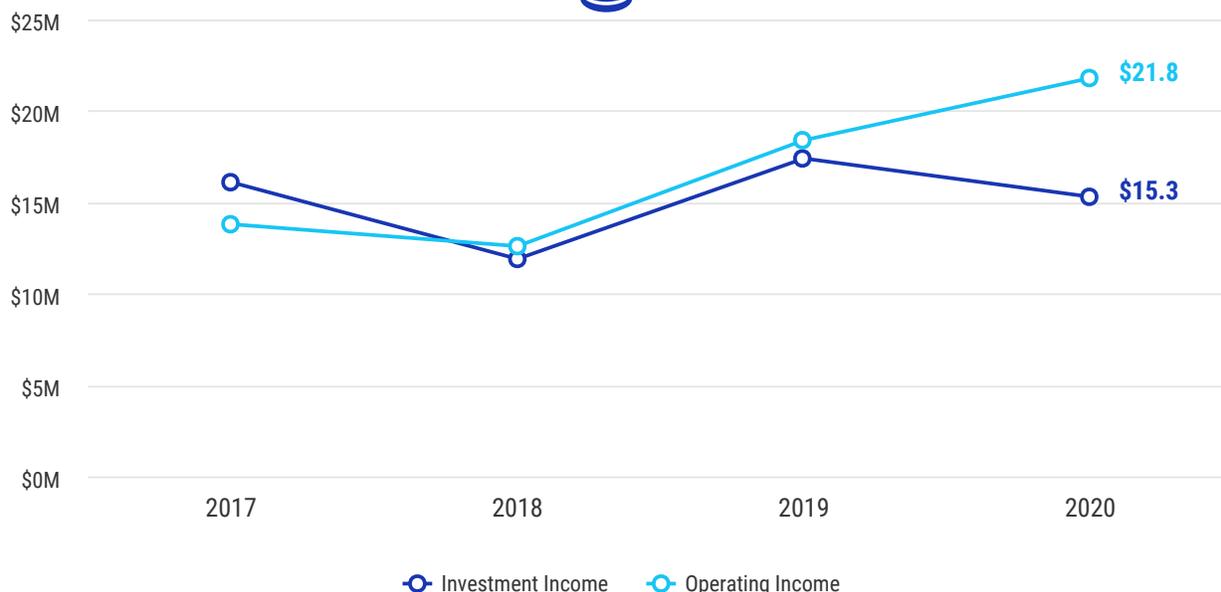
Investments

Year in Review

Portfolio Performance (GAAP Basis)



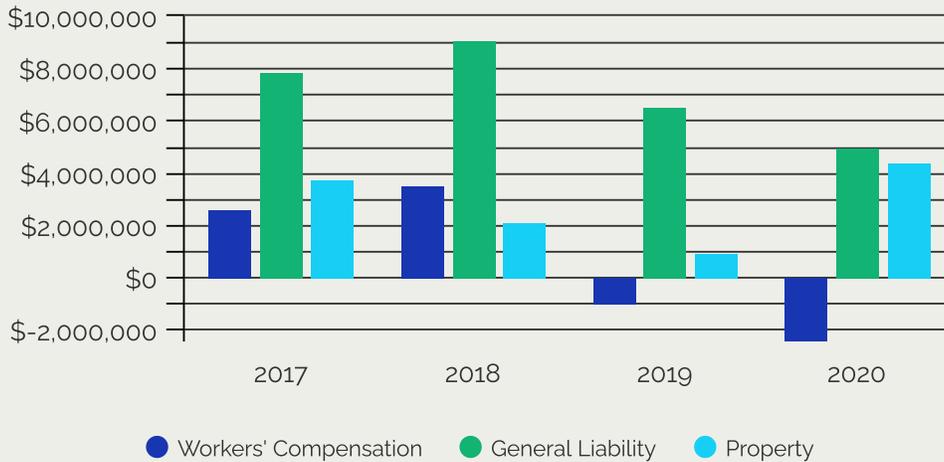
Net Income (Statutory basis)



*before dividends

Claims Management Highlights

Gross Incurred by Calendar Year 12/31/2020



Totals

2020	\$7.0M
2019	\$6.6M
2018	\$14.8M
2017	\$14.3M

Net Reported Loss Emergence on Prior Policy Years All Lines Combined



New Open Exposure Claims



For the seventh consecutive year, actual loss development continues to be lower than expectation, as our process for setting strong case reserves continues to result in less development than industry patterns would suggest for both workers' compensation and liability.

1,068

TOTAL OPEN CLAIMS

243

NEW CLAIMS REPORTED

\$15M

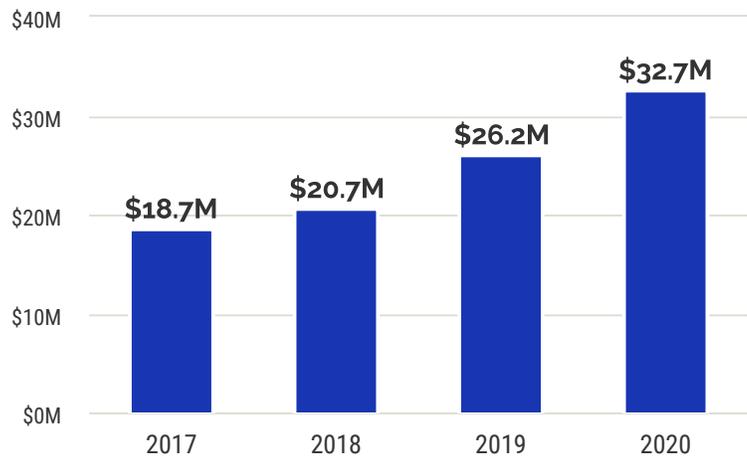
PAID CLAIMS TO MEMBERS

Underwriting Year in Review

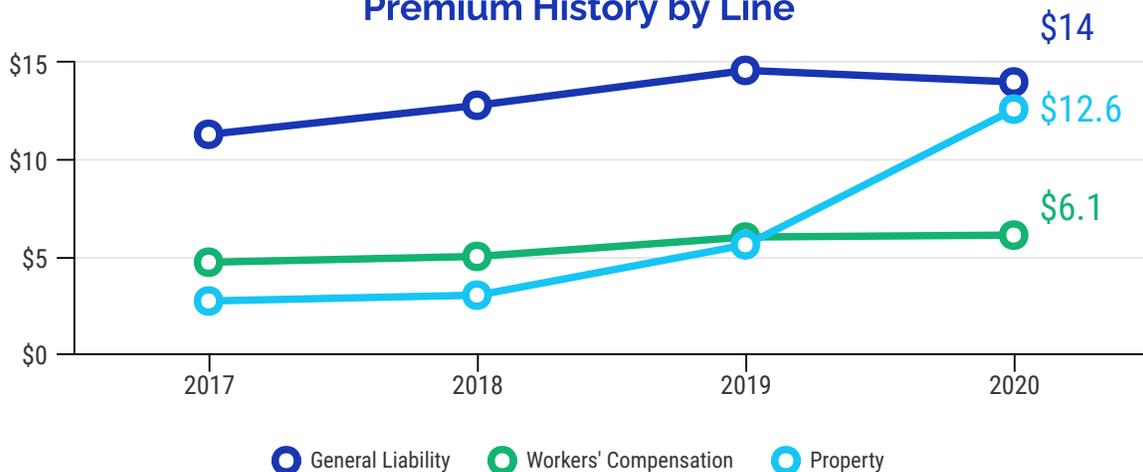
STATE OF THE MARKET

2020 brought seismic changes to the insurance industry, which were felt at every level, at home and abroad. An already hardening Property market yielded center stage to the COVID-19 pandemic, causing widespread withdrawals from the market, limitations in coverage, and upheaval to an already challenging renewal season.

Gross Written Premium



Premium History by Line



6

New
Treaties

\$6.5 M

Gross Premium Growth

20

Buying
Members

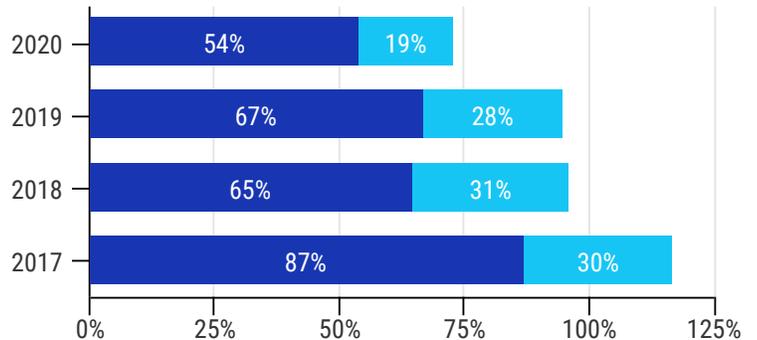
Underwriting

Book Overview

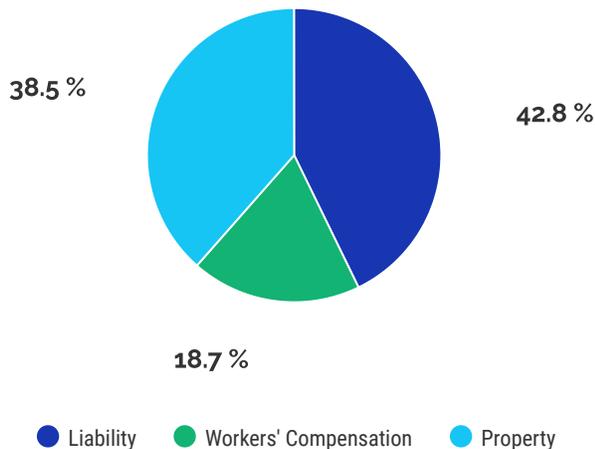
WHAT WE ACCOMPLISHED

- Provided limited communicable disease coverage for all our Liability treaties beginning 7/1/2020
- Rate changes averaged less than 5%
- Increased Property limits for Members
- Offered members PHS allocations and dividends

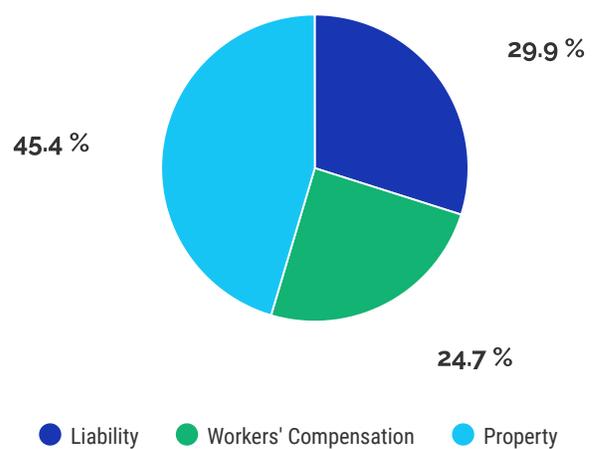
Calendar Year Combined Ratios



Gross Premium by Line



Net Premium by Line



15

Liability
Treaties

15

Property
Treaties

9

Workers'
Compensation
Treaties

Data Initiative

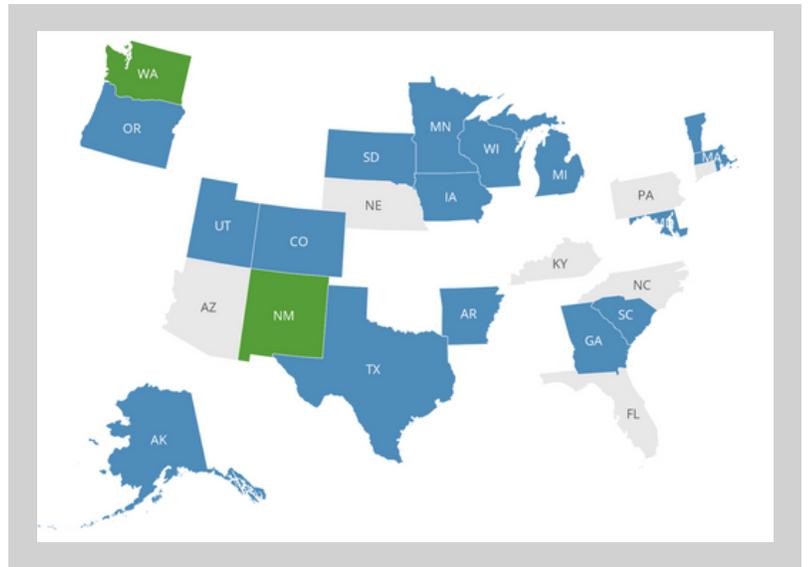
Data Empowerment with Domo

PROGRAM PARTICIPATION

19 Member Pools

NEW MEMBERS IN 2020

New Mexico and Washington



1.41 M

CLAIMS ANALYZED

140

PLANNING SESSIONS
WITH POOL STAFF

78

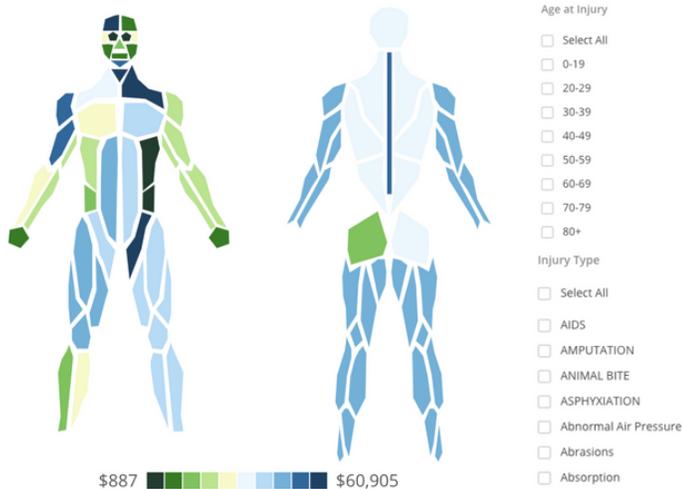
CARDS PUBLISHED
TO MEMBERS

In 2020, NLC Mutual implemented the Publish Toolkit and began publishing pre-built analyses out to participating members. This provides a unique ability for members to connect their data to analyze and perform comparisons with other pools while also gaining insights on national trends. This process helps members be more aware of impacts in other states, develop internal metrics, and implement strategies.

Data Initiative

Publishing Data & Analyses to Members

Body Part Claim Average - Workers Compensation



Publish Toolkit

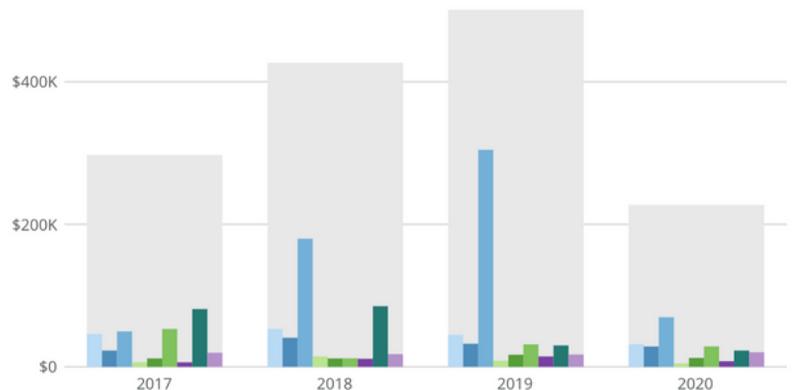
With the Publish Toolkit, members don't have to spend time analyzing and creating reports. Ideas are brought forward by members and analyses and data connections are built by NLC Mutual, and published automatically to all!

The Domo card on the left displays claims based on body part. Adjusters can filter based on age range, injury type, occupation, etc. to better understand average claims cost.

Utilizing Aggregate Data

With the Publish Toolkit, pools can analyze data collected from all participating members to examine trends among individual pools and the collective group.

The Domo card on the right displays how incurred costs are trending over the last several years for selected states, for comparison purposes.



Members spot trends within the pooling industry through the many pre-built Domo cards. This can provide insightful information for underwriting, loss control, and executive management. By utilizing these pre-built Domo Cards and publishing to all participating NLC Mutual members, there is a consistent style of reporting that is both easily understood and insights-driven.

Members

at December 31, 2020



Alaska



Arizona



Arkansas



Colorado



Connecticut



Florida



Georgia



Iowa



Kentucky



Maryland



Massachusetts



Michigan



Minnesota



Nebraska



New Mexico



North Carolina



Oregon



Pennsylvania



Rhode Island



South Carolina



South Dakota



Texas



Utah



Vermont



Washington



Wisconsin

Board of Directors & Committees

at December 31, 2020

Executive Committee

Scott Hancock
Chair

Ian Ridlon
First Vice Chair

Mark Hayes
Second Vice Chair

Stan Corcoran
Claims Management and Loss Control Committee Chair

Jeannie Garner
Investment Committee Chair

Dan Greensweig
at-large member

Paul Meyer
at-large member

Heather Ricard
Underwriting Committee Chair

Jeff Thompson
at-large member

Claims Management and Loss Control Committee

Matt Becker

Stan Corcoran

Joe Damiata

Michael Forster

Scott Hancock
ex-officio

Steve Hansen

Lynn Rex

Ian Ridlon

Rick Schuettler

Investment Committee

Tom Belshe

J.D. Chaney

David Demchak

Jeannie Garner

Scott Hancock
ex-officio

Peter King

Paul Meyer

Kevin Smith

Jeff Thompson

Underwriting Committee

Stan Deese

AJ Forte

Dan Greensweig

Scott Hancock
ex-officio

Mark Hayes

Jeff Hovey

Patrick Priest

Heather Ricard

Tami Tanoue

Officers of NLC Mutual

at December 31, 2020



Chair of the Board

Scott A. Hancock

Maryland Municipal League



President & CEO

Jill L. Eaton

NLC Mutual



First Vice Chair

Ian C. Ridlon

Rhode Island
Interlocal Risk
Management Trust



Second Vice Chair

Mark R. Hayes

Arkansas
Municipal League



**Vice President
Underwriting**

Michael J. Kruse

NLC Mutual



**Vice President
Actuary**

Chris C. McKenna

NLC Mutual



Treasurer

David A. White

AIG



Secretary

Clarence E. Anthony

National League of Cities

Our Staff

at December 31, 2020



ANNIVERSARIES

20 years
Mike Kruse

25 years
Fred Niner



Jill Eaton
President & CEO



Carlton Avent
Comptroller



Claire Buchwald
Program Manager,
NLC-RISC



Heather Burgess
Underwriter



Ryan Draughn
Director of Information
Technology



Koulanan Kone
Actuarial Intern



Michael Kruse
Vice President of
Underwriting



Sheila Lane
Reinsurance Associate



Chris McKenna
Vice President &
Actuary



Fred Niner
Reinsurance
Accountant



Erin Peterson
Program Specialist,
NLC-RISC



Erin Rian
Director of Member
Services & Director
of NLC-RISC



Lena Scarpulla
Membership Coordinator



Mark Snodgrass
Director, Member
Data Strategist



Jenny Wade
Governance and
Leadership Specialist

Donald L. Jones Scholarship

20th Anniversary

2020 - 2021 academic year



21- a record number of submissions



\$17,100 awarded to 16 applicants
in 8 member states



7 employees and 9 children of employees applied funds to academic study areas in line with state league services and risk pooling



Our progress over the years
in honor of Don Jones's service and legacy:

\$148,100

in scholarship
funds awarded

185

applications submitted
from 22 member states

NLC Mutual

a community thriving together



NLC
MUTUAL
INSURANCE COMPANY

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