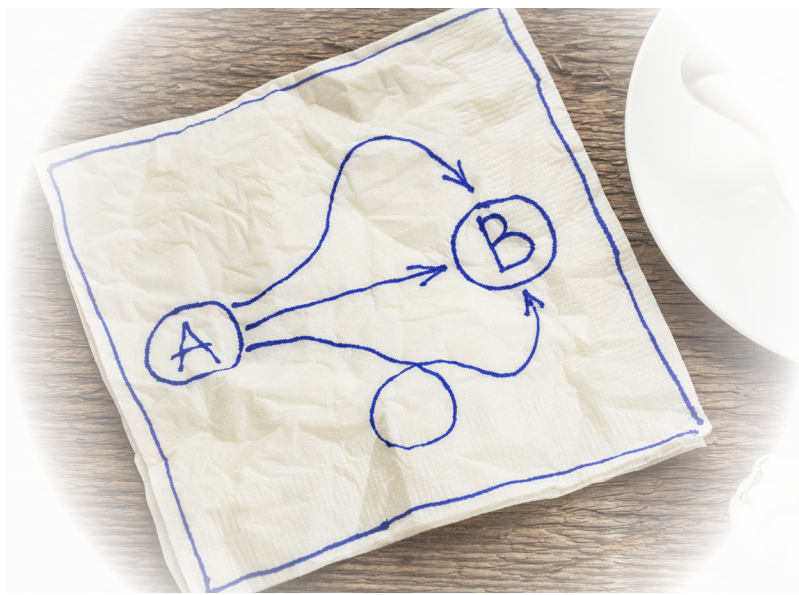


2021 ANNUAL REPORT



CELEBRATING OUR JOURNEY

35TH
ANNIVERSARY



1986 - OUR JOURNEY BEGINS

From an idea written on a cocktail napkin, a “pool of pools” was the origin of our journey. NLC Mutual Insurance Company (NLC Mutual)

began its operations with six members and \$1.6 million in capital. With the assistance of the National League of Cities, six state municipal league risk pools founded the captive reinsurance company to meet individualized member needs by providing liability, property, and workers' compensation coverage for their local government members.



2021 - OUR JOURNEY ADVANCES

NLC Mutual has 28 members and surpassed \$200 million in surplus. This 2021 Annual Report highlights the accomplishments, the people, the programs, and the financial position that made this a great year. With 35 years of membership, the journey together has led to this milestone year and becomes part of the map guiding our member powered Company.



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LETTER TO MEMBERS

A Happy 35th Anniversary to Mutual!! In 1986, six State League Directors had a vision of a member powered reinsurer and were able to bring that vision to fruition. So much has been accomplished in 35 years all thanks to the allegiance and dedication of our members and a remarkable staff who continues to deliver on our promise for stability and financial strength. It was wonderful to be able to safely celebrate our 35th Anniversary together in person.

NLC Mutual has never been more relevant. To quote Bill Fulginiti, we were created to avoid the “vagaries of the commercial insurance world”, and to provide stable coverages and premiums that are specific to your pool’s needs. We don’t broad brush our underwriting analysis with events which means that if your pool has not been affected by these event losses, we don’t need to have an all-boats-rise effect. With every project we undertake, with every member we interact with, we always ask: “Does this inure to our members’ benefit?” We at Mutual are very clear on what we do and why we do it. It is to provide financially stable and reliable reinsurance. It is to allocate and distribute profits back to our members-owners when fiscally responsible to do so. It is to embrace being member powered and find ways to better serve you.

2021 was another difficult year for our country as the pandemic continued to present challenges. Despite the environment, Mutual stepped in and stepped up to support our members in the same consistent manner and delivered another year of strong financial performance. We are extremely proud of our accomplishments that are highlighted in this Annual Report. We surpassed \$200 million in surplus for the first time in the company’s history. Our RBC ratio hit 564%, another first for Mutual, which is a 14% increase over last year. We allocated \$21.5M back to our members and also delivered a \$5M return of capital in recognition of the unique and incredibly difficult year that Public Entities were experiencing. We continue to write business with more members and increased our premiums by 18%. We welcomed our newest member, Illinois, and we highlighted our commitment to diversity by inviting a student from an HBCU to be our first Board Intern in Park City, UT.

Finally, the basis of our success is our people. They are the ones who serve our customers and communities, build the technology, manage risk, determine our investments, and drive innovation. Whatever your view is of the world’s complexities and the risks and opportunities ahead, having a great team of people — with guts, intelligence, integrity, and enormous capabilities to navigate challenging circumstances while maintaining high standards of professional excellence — is what ensures our financial stability, now and in the future.

We will not stop doing what we were created to do for our members. Our success and accomplishments are founded on our commitment to our members. We will continue to deliver on our promise with a clear purpose, a coherent strategy and a long-term view working in collaboration with our OneNLC family.

Your trust, loyalty and confidence in Mutual has helped us build this remarkable company, one whose future has never been brighter. Thank you for your support! “We Are Member Powered” will continue to guide us.

In recognition for his leadership, dedication and support, and his commitment to our Mission Statement and Core Values we heartily thank our outgoing Chairman, Scott Hancock for his service.

Jill L. Eaton
President & CEO

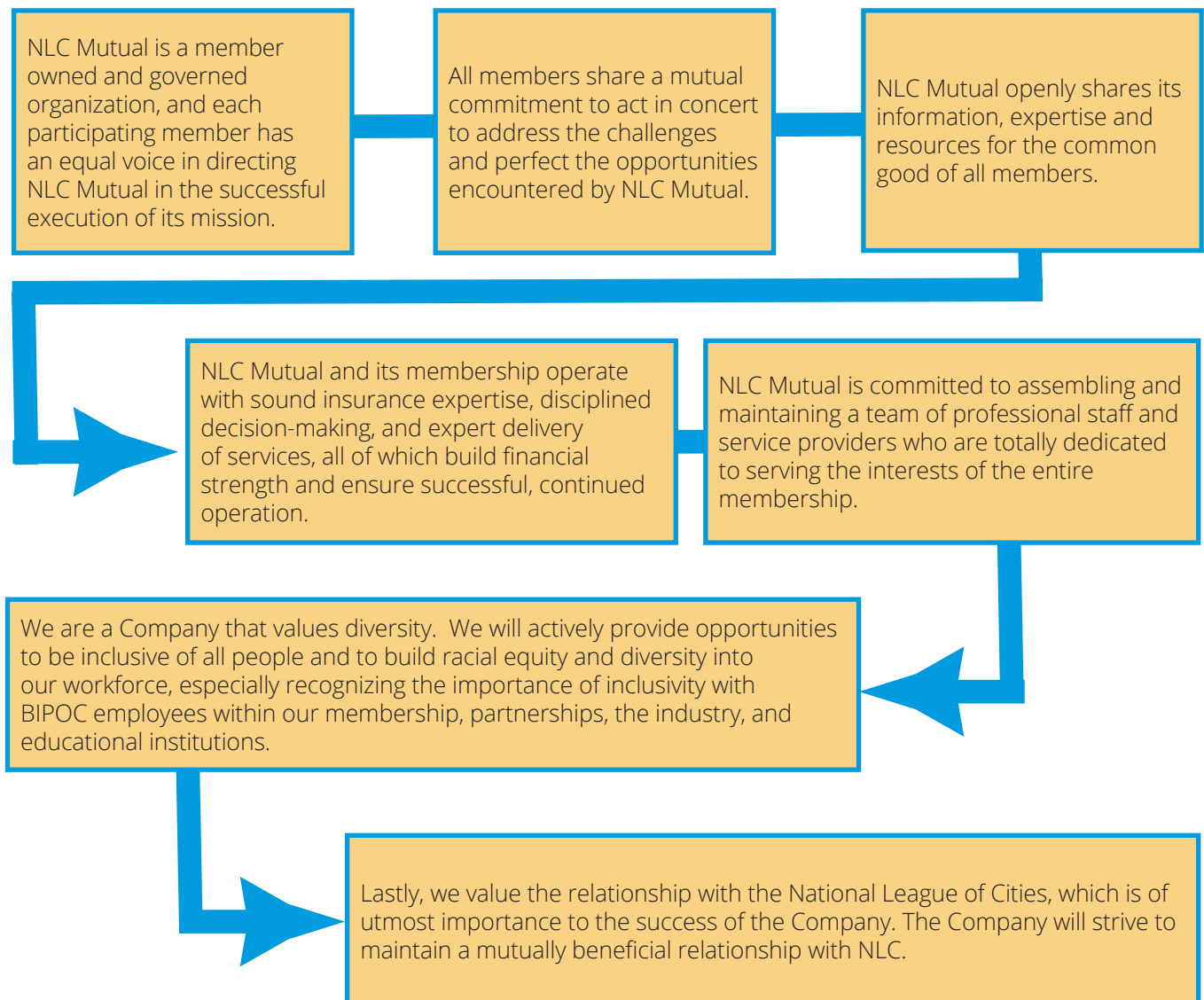
Ian C. Ridlon
Chair, Board of Director

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.

CORE VALUES



PERFORMANCE HIGHLIGHTS

**STATUTORY CAPITAL SURPLUS EXCEEDED
\$200 MILLION FOR THE FIRST TIME.**

TOTAL
EARNINGS
\$20.7M

OPERATING
INCOME
\$24.8M

ROI
STATUTORY
BASIS
4.38%

ASSETS
\$446.8M

COMBINED
RATIO
71.3%

GROWTH
IN WRITTEN
PREMIUM
\$5.9M

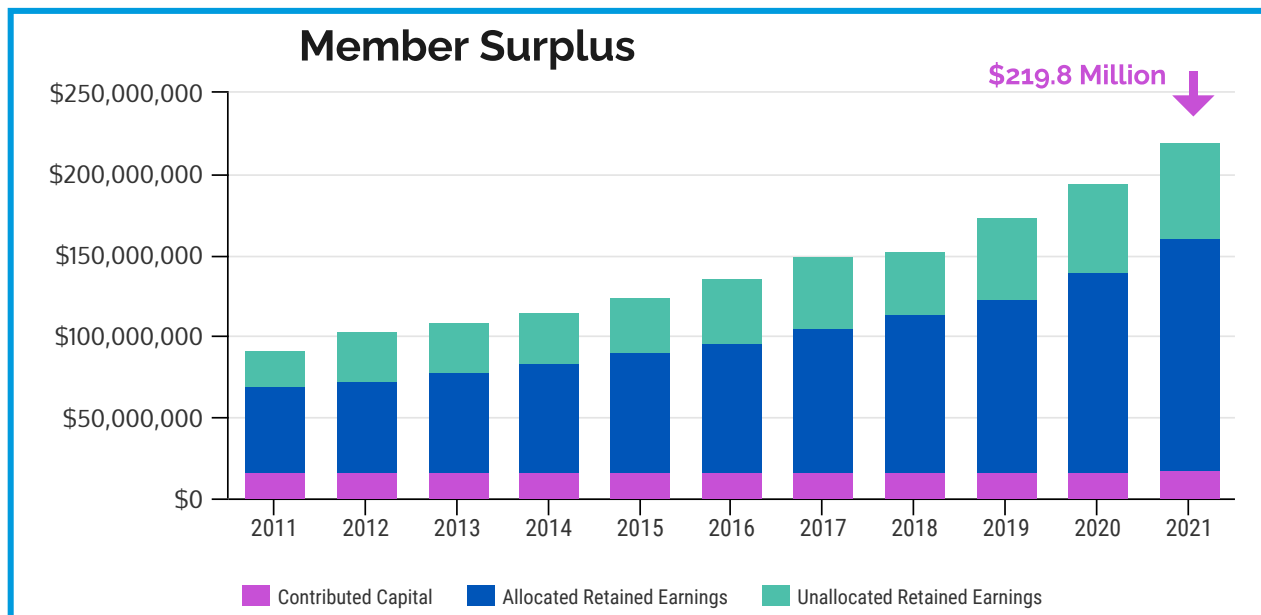
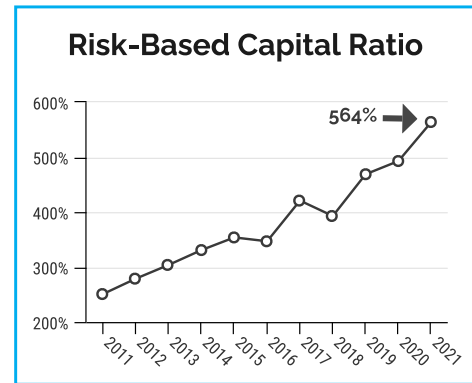
SPECIAL
DIVIDEND
OFFERED
\$5M

UNDERWRITING
INCOME
\$7.9M

FINANCIAL POSITION

NLC Mutual continued breaking records with posted total earnings of \$20.7 million. We exceeded the \$200 million capital surplus level in March 2021 for the first time in the Company's history. NLC Mutual remained healthy with Risk Based Capital ratio of 564%. Gross earned premiums also increased to a total of \$27.6 million primarily related to adding new or increasing existing policies for members.

With deep understanding of and strong commitment to our public entity members, a one-time special dividend in the total amount of \$5 million was declared in 2021 to all current members with each member having the option to receive their portion as a cash distribution or to have it deposited into their capital account.

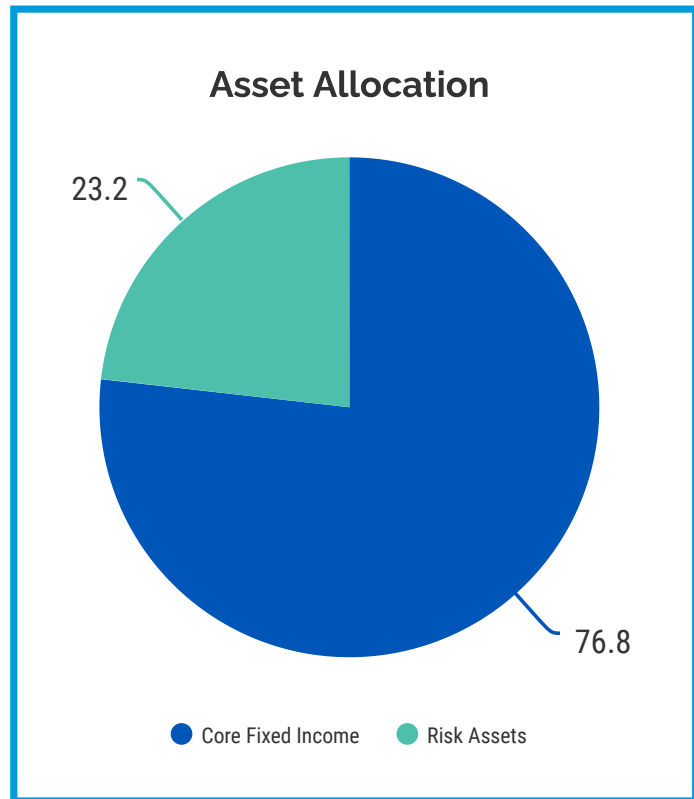


Annual Member Earnings

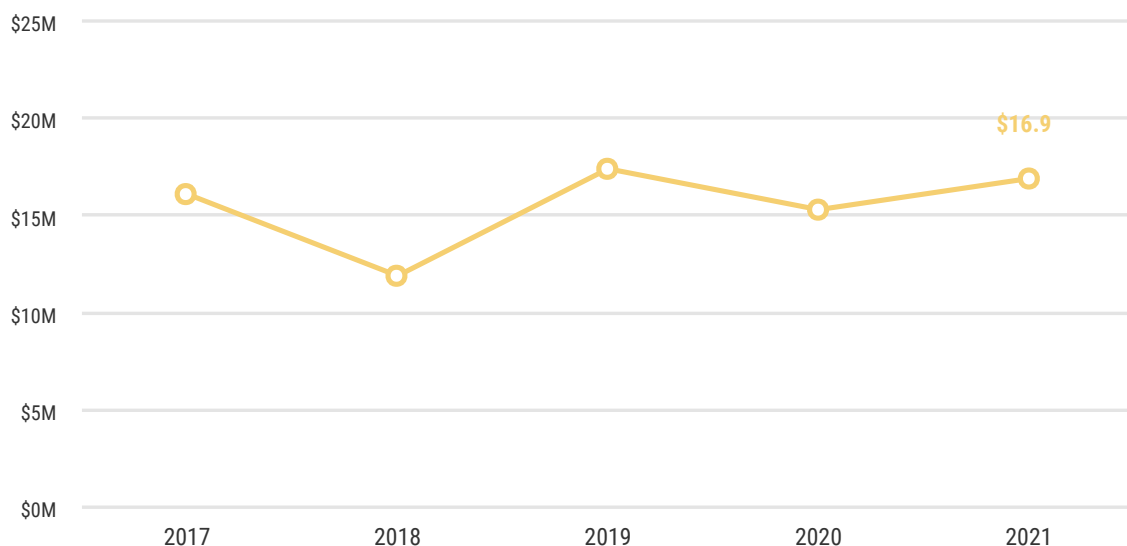
Year	Declared Dividend	Declared Allocation	Member Earnings
2021	\$4,107,033	\$17,342,694	\$21,449,727
2020	\$3,676,334	\$15,615,943	\$19,292,277
2019	\$1,891,809	\$10,150,399	\$12,042,208
2018	\$1,782,884	\$9,342,057	\$11,124,941

**2021
AVERAGE
MEMBER RATE
OF RETURN
15.3%**

INVESTMENTS YEAR IN REVIEW



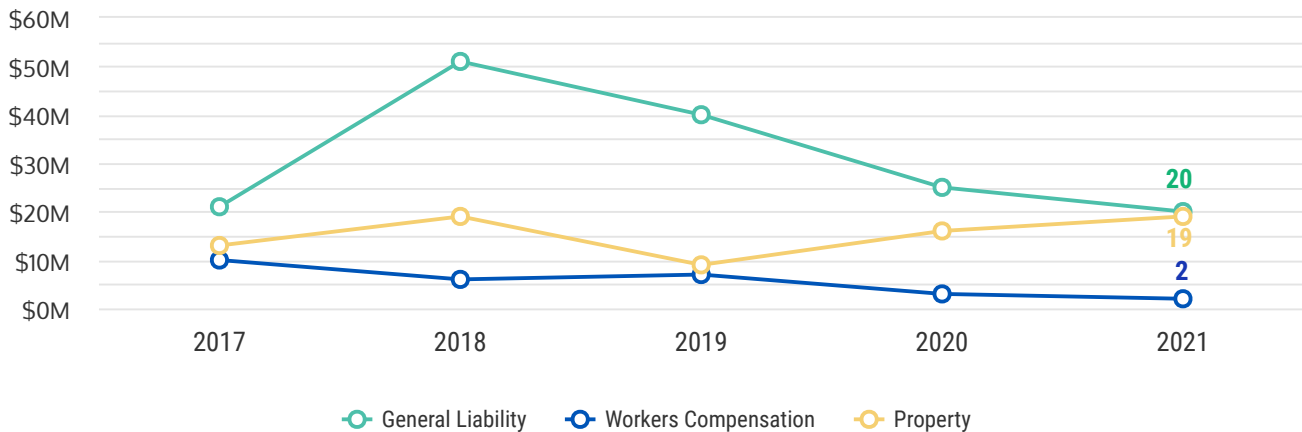
Net Investment Income (statutory basis)



CLAIMS MANAGEMENT

Despite several large weather-related property claims, actual loss development continues to be lower than expected for the eighth consecutive year. Our journey, along with our members, of focusing on strong claims management continues to result in less development than industry patterns suggest for both workers' compensation and liability.

Open Claims Reported to NLC Mutual



Total Open Claims:

1,025

New Claims Reported:

285

Paid Claims to Members:

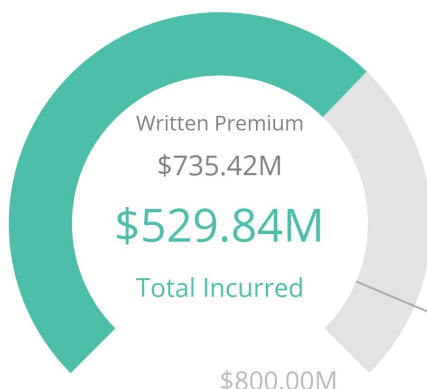
\$11.9M

Loss Ratio - Claims to Premiums Since Inception

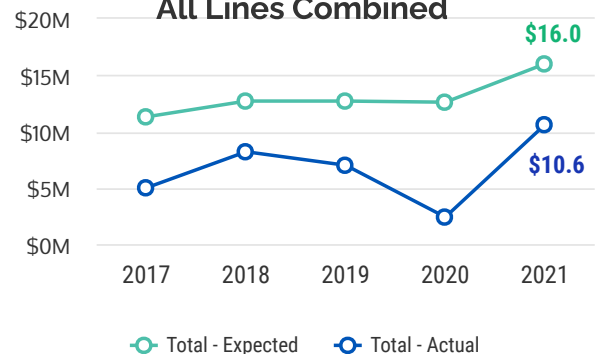
73%

Gross Incurred to Premium

Totals gross written premium and incurred total for all pools and all years
Jul 1, 1986 - Dec 31, 2021



Net Reported Loss Emergence on Prior Policy Years All Lines Combined



UNDERWRITING

2021 found NLC Mutual staff and members caught mid-stream in major changes reshaping the insurance industry. Despite concerns about COVID liability claims, claims remained mostly in workers' compensation. However, with court dates on hold and backlog in the legal system, legal precedence remained uncertain. In acknowledgement, NLC Mutual extended the term for its limited communicable disease endorsement for another 12-month period. Meanwhile, the hard market kept hardening, and NLC Mutual saw another year of expanded layers and increased participations for our members. Between COVID, climate change, law enforcement legislation changes, and supply chain issues, we couldn't help but ask, "Is this the new normal?"

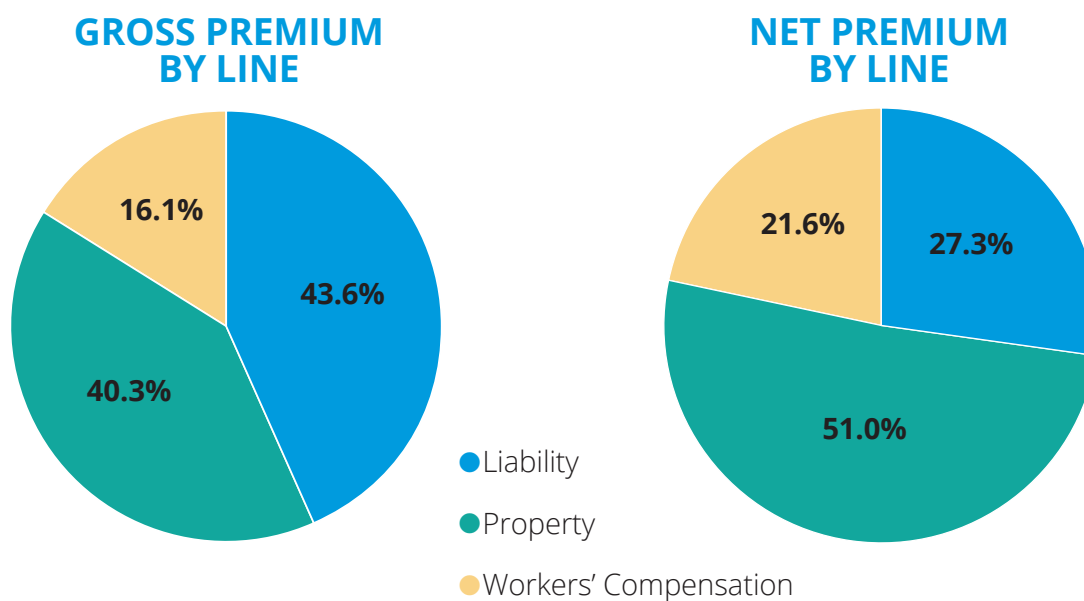
CALENDAR YEAR COMBINED RATIOS

Year	Net expense	Net loss	Total
2021	17%	54%	71%
2020	19%	54%	73%
2019	28%	67%	95%
2018	31%	65%	96%
2017	30%	87%	117%

43
TREATIES
TOTAL

\$6M
GROSS PREMIUM
GROWTH

82%
OF MEMBERS
PURCHASE FROM
NLC MUTUAL



GROSS WRITTEN PREMIUM by line (millions)

Year	Liability	Property	Workers' Compensation	Total
2021	\$16.9	\$15.5	\$6.3	\$38.7
2020	\$14.0	\$12.6	\$6.1	\$32.7
2019	\$14.3	\$5.8	\$6.1	\$26.2
2018	\$12.3	\$3.4	\$5.0	\$20.7
2017	\$10.9	\$3.1	\$4.7	\$18.7

TECHNOLOGY ROADMAP CONTINUES TO GUIDE THE COMPANY

MUTUAL INSIGHTS

Mutual Insights and the IT team continue to advance NLC Mutual's use of technology to better serve its members. Mutual Insights grew to include 20 participating states and numerous new elements were added to the program.

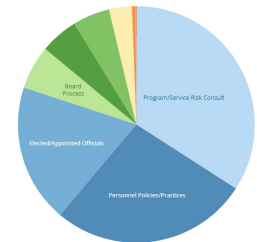
NEW SYSTEM

With the development of a new claims and underwriting system with Buildable, Inc., NLC Mutual is able to retire its 30-year-old legacy system. The efficiencies gained from streamlining new processes and workflows will benefit the membership for years to come.

FORM BUILDER ADDED TO DOMO

NLC Mutual purchased an add-on to Domo called Form Builder to give pools a mechanism to track certain activities. With Form Builder, an unlimited number of forms can be designed without the need to write any code. Pools were quick to create forms to track loss control visits and integrate the data with their claims and policy data to create visualizations that would not have been possible previously.

Program/Service Risk ...	\$75,156
Personnel Policies/Prac...	\$59,536
Elected/Appointed Of...	\$41,741
Board Process	\$13,189
Staff Training	\$11,445
Board Personnel Issue	\$11,146
Police Liability	\$6,891
Personnel Policies/Prac...	\$1,064
Marijuana Regulation	\$139
Resignation/Separation	\$93



NEW DASHBOARDS AVAILABLE TO POOLS

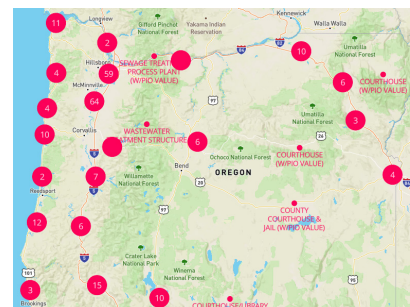
Two new dashboards helped participating pools gain new insights into their claim operations. The Reserve Analysis Dashboard provides claims managers with the ability to see trends in reserving practices by line of coverage and by adjuster. The Member Overview Dashboard is used to select a specific member and quickly see their premium and claims history, their loss ratio, and their highest open claims, a beneficial tool.

ENHANCED MAPPING CAPABILITIES

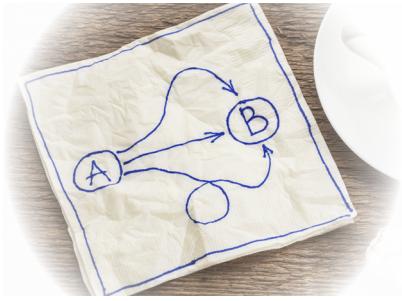
NLC Mutual purchased FlexMap, a sophisticated mapping tool that allows pools to combine multiple datasets.

NLC MUTUAL WEBSITE

A redesigned website was launched with new features and design elements to enhance the Board member and user experience. Improvements include the prioritization of reinsurance information and an easier single sign-on technology for BoardEffect, the board portal system.



INNOVATION



OUR JOURNEY BEGAN

35 years ago, after deciding to move forward with a “pool of pools,” NLC Mutual was created, developing the map along the way, gaining members, supporting one another and the pooling community.

2021 - OUR JOURNEY CONTINUES

NLC Mutual members, leaders, and staff continued the journey of responding to needs by redefining the destinations ahead. The mile markers created in 2021 demonstrate the Company’s desire to expand the road ahead.

NLC MUTUAL CAPTIVE SOLUTIONS & MSL ADVANTAGE

NLC Mutual Captive Solutions, Inc. was formed in December 2021, following NLC Mutual’s approval of the sponsored captive solution to address member needs. MSL Advantage, IC, the first cell captive, was designed to support the medical stop loss needs of member affiliate health pools. As we look down the road, additional cell captives may be formed to fill in where the commercial marketplace has backed away from public entities. The founding principles continue to guide the Company’s innovation.

POLICIES

Every good traveler knows they must adjust the path for new opportunities, unanticipated challenges, and the needs of those with you. NLC Mutual continued to improve guiding policies. In 2021, updates to the Claims Management, Investment and Underwriting policies were approved.

OUR JOURNEY ADVANCES FOR THE FUTURE

We appreciate our members for guiding our path and continuing the journey with us for the next 35 years and beyond.



MEMBERS

AT DECEMBER 31, 2021

WELCOME to NLC Mutual Insurance Company

Connecticut Interlocal Risk Management Agency	1986
Georgia Municipal Association Risk Management	1986
Michigan Municipal League	1986
New Mexico Self Insurers' Fund	1986
North Carolina Interlocal Risk Management Agency	1986



Kentucky League of Cities Insurance Services	1987
Local Government Insurance Trust (Maryland)	1988
Utah Local Governments Trust	1988
Massachusetts Interlocal Insurance Association, Inc.	1989
Association of Washington Cities Risk Management Services Agency	1990
Arkansas Municipal League	1991
Citycounty Insurance Services (Oregon)	1991
Texas Municipal League Intergovernmental Risk Pool	1991
PennPRIME Insurance Trust	1991

BOARD OF DIRECTORS

Kevin Smith, Alaska
Tom Belshe, Arizona
Mark Hayes, Arkansas
Tami Tanoue, Colorado
David Demchak, Connecticut
Jeannie Garner, Florida
Stan Deese, Georgia

Brad Cole, Illinois
Jeff Hovey, Iowa
J.D. Chaney, Kentucky
Scott Hancock, Maryland
Stanley Corcoran, Massachusetts
Michael Forster, Michigan
Dan Greensweig, Minnesota





Iowa Municipalities Workers' Compensation Association	1992
South Dakota Municipal League Workers' Compensation Fund	1992
South Dakota Public Assurance Alliance	1992
Rhode Island Interlocal Risk Management Trust	1993
Vermont League of Cities & Towns Insurance and Risk Services	1993
Municipal Association of South Carolina Risk Management Services	1994
League of Wisconsin Municipalities Mutual Insurance Company	1999



Florida Municipal Insurance Trust	2000
Alaska Municipal League Joint Insurance Association, Inc.	2002
League Association of Risk Management (Nebraska)	2002
Colorado Intergovernmental Risk Sharing Agency	2003
League of Minnesota Cities Insurance Trust	2010
Arizona Municipal Risk Retention Pool	2014

WELCOME
 Illinois Municipal League Risk Management
 Association - Jan '21

L. Lynn Rex, Nebraska

AJ Forte, New Mexico

Bryan Leaird, North Carolina

Patrick Priest, Oregon

Rick Schuettler, Pennsylvania

Ian Ridlon, Rhode Island

Heather Ricard, South Carolina

David Pfeifle, South Dakota

Jeff Thompson, Texas

Steve Hansen, Utah

Joe Damiata, Vermont

vacant, Washington

Matt Becker, Wisconsin

OFFICERS



Chair
Ian C. Ridlon



President & CEO
Jill L. Eaton



First Vice Chair
Mark R. Hayes



Vice President- Actuary
Chris C. McKenna



Second Vice Chair
Jeff R. Thompson



**Vice President-
Underwriting**
Michael J. Kruse



Secretary
Clarence E. Anthony
NLC



Treasurer
David A. White
AIG

AT DECEMBER 31, 2021

BOARD LEADERSHIP

Scott A. Hancock

Scott Hancock was recognized for his service as Chair of the Board of Directors, 2019 – 2021. While he remains on the Board of Directors and continues to serve on the Executive Committee, he valued the new ideas and providing opportunities for others to lead NLC Mutual and concluded his role as Chair at the December meeting. His leadership and vision for the Company was appreciated, particularly with the selection and transition of President/CEO. Scott was gifted a crystal gavel for his years of service and symbolically transferred the wooden gavel to the new Chair.



Ian C. Ridlon

Ian Ridlon was elected as the new Chair of the Board at the December 10, 2021, meeting. Ian's service as First Vice Chair (2019-2021) and as Second Vice Chair (2016- 2018) prepared him well to succeed Scott.

EXECUTIVE COMMITTEE

AT DECEMBER 31, 2021



Stanley J. Corcoran



Michael J. Forster



Jeannie M. Garner



Dan J. Greensweig



Scott A. Hancock



Mark R. Hayes
1st Vice Chair



Heather M. Ricard



Ian C. Ridlon
Chair



Jeff R. Thompson
2nd Vice Chair

2021 STANDING COMMITTEES

Claims Management and Loss Control

Matt Becker
Stanley Corcoran, Chair
Joe Damiata
Michael Forster
Scott Hancock, ex-officio
Steve Hansen
Dave Pfeifle
L. Lynn Rex
Ian Ridlon
Rick Schuettler

Investment

Tom Belshe
J.D. Chaney
Brad Cole
David Demchak
Jeannie Garner, Chair
Scott Hancock, ex-officio
Kevin Smith
Jeff Thompson

Underwriting

Stan Deese
AJ Forte
Dan Greensweig
Scott Hancock, ex-officio
Mark Hayes
Jeff Hovey
Patrick Priest
Heather Ricard, Chair
Tami Tanoue

OTHER COMMITTEES

Scholarship

John Brenner
David Demchak
Dan Greensweig
Steve Hansen
Patrick Priest, Chair
Ian Ridlon

Nominating

Mike Forster, Chair
Stan Deese
Dan Greensweig
Peter King
Heather Ricard

STAFF

AT DECEMBER 31, 2021



Jill Eaton
President & CEO



Carlton Avent
Comptroller



Claire Buchwald
Program Manager, NLC-RISC



Heather Burgess
Assistant Vice President
Underwriting



Ryan Draughn
Director of Information
Technology



Amy Gaboriault
Reinsurance Accountant



Michael Kruse
Vice Preident of
Underwriting



Sheila Lane
Reinsurance Associate



Chris McKenna
Vice President & Actuary



Erin Peterson
Program Specialist,
NLC-RISC



Erin Rian
Chief Operating Officer



Lena Scarpulla
Membership Coordinator



Mark Snodgrass
Director, Member
Data Strategist



Jenny Wade
Governance and
Leadership Specialist

PROMOTION

Following her dual role as Director of NLC-RISC and Director of Member Services, NLC Mutual. Erin Rian was promoted to Chief Operating Officer in May.

NEW HIRE

Amy Gaboriault joined the NLC Mutual team as Reinsurance Accountant on October 10th.

ANNIVERSARY

Sheila Lane celebrated her 25th anniversary with NLC Mutual in December.



RETIREMENT

After almost 27 years of employment, Fred Niner retired as NLC Mutual's Reinsurance Accountant. His dedication, work ethic, smile, and laugh are missed.

PROGRAM HIGHLIGHTS

WILLIAM F. FULGINITI LEGACY AWARD PRESENTATION

With a return to in-person meetings, NLC Mutual was able to recognize Mike Sittig as the first recipient of the William F. Fulginiti Legacy Award. Chair Scott Hancock, nominator Jeannie Garner, and Mike's daughter Robyn Moore presented the award.

(Robyn Moore, Mike Sittig, and Jeannie and Rob Garner; photo by Lynn Rex)



NLC MUTUAL INSURANCE COMPANY SUMMER BOARD INTERN



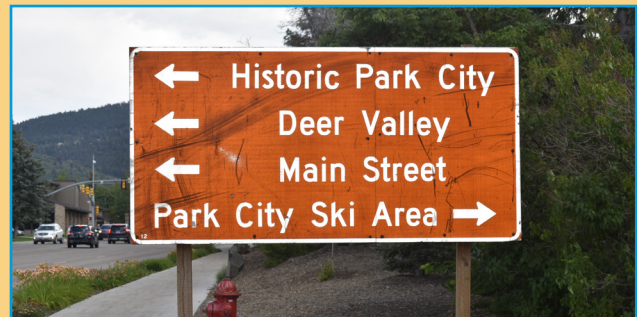
We were honored to welcome our first summer intern, Hadaya Keitt, an accounting student at North Carolina A&T State University, which is an HBCU. Hadaya applied for our inaugural internship program created as a commitment to NLC Mutual's Core Value of diversity which "actively provides opportunities to be inclusive of all people and to build racial equity and diversity into our workforce..." She described the experience as "life-changing," and we hope she will remain in contact with the Board members she met in Park City.

DONALD L. JONES SCHOLARSHIP AWARDS

For the 2021-2022 academic year, 10 applicants were awarded \$17,700 in scholarship funds. Seven employees and three children of employees from eight member states demonstrated the relevance of their educational and career goals to state league and/or risk pooling work.

SPONSORSHIPS

Special appreciation to AAM Company, AIG, and Northshore for sponsoring the July meeting breaks in Park City, Utah.



HIGHLIGHTS



1



2



3



4



5

1 Summer Meeting in Park City, Utah

2 Winter Meeting in Scottsdale, Arizona

Anniversaries:

Summer Meeting

3 Arkansas – 30 years

Oregon – 30 years

(President/CEO Jill Eaton, Patrick Priest and Chair Scott Hancock in Park City)

Winter Meeting

4 Connecticut – 35 years

Georgia – 35 years

Michigan – 35 years

New Mexico – 35 years

North Carolina – 35 years

Pennsylvania – 30 years

Texas – 30 years

(Chair Scott Hancock, Michael Forster/MI, David Demchak/CT, President/CEO Jill Eaton, Stan Deese/GA, Jeff Thompson/TX and Rick Schuettler/PA in Scottsdale.)

5 Celebrating 35th anniversaries

NLC

MUTUAL

INSURANCE COMPANY

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