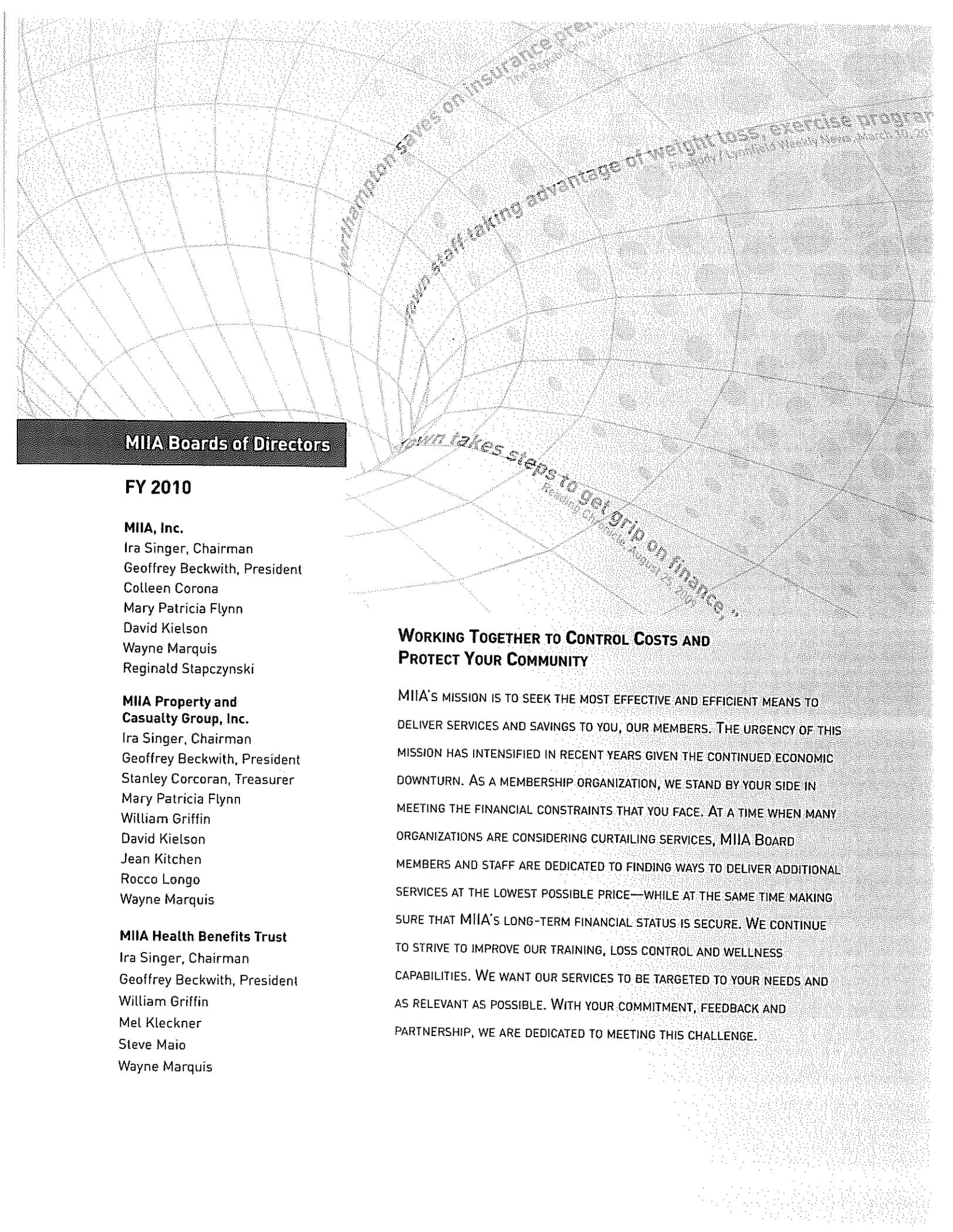


# MIIA ANNUAL REPORT 2010





## MIIA Boards of Directors

### FY 2010

#### **MIIA, Inc.**

Ira Singer, Chairman  
Geoffrey Beckwith, President  
Colleen Corona  
Mary Patricia Flynn  
David Kielson  
Wayne Marquis  
Reginald Stapczynski

#### **MIIA Property and Casualty Group, Inc.**

Ira Singer, Chairman  
Geoffrey Beckwith, President  
Stanley Corcoran, Treasurer  
Mary Patricia Flynn  
William Griffin  
David Kielson  
Jean Kitchen  
Rocco Longo  
Wayne Marquis

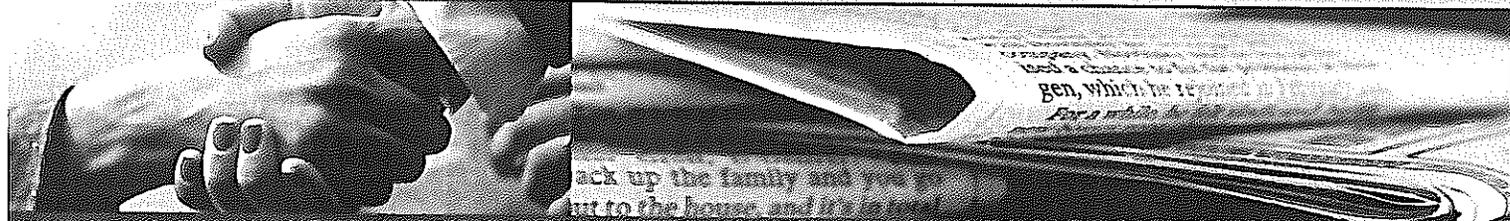
#### **MIIA Health Benefits Trust**

Ira Singer, Chairman  
Geoffrey Beckwith, President  
William Griffin  
Mel Kleckner  
Steve Maio  
Wayne Marquis

### **WORKING TOGETHER TO CONTROL COSTS AND PROTECT YOUR COMMUNITY**

MIIA'S MISSION IS TO SEEK THE MOST EFFECTIVE AND EFFICIENT MEANS TO DELIVER SERVICES AND SAVINGS TO YOU, OUR MEMBERS. THE URGENCY OF THIS MISSION HAS INTENSIFIED IN RECENT YEARS GIVEN THE CONTINUED ECONOMIC DOWNTURN. AS A MEMBERSHIP ORGANIZATION, WE STAND BY YOUR SIDE IN MEETING THE FINANCIAL CONSTRAINTS THAT YOU FACE. AT A TIME WHEN MANY ORGANIZATIONS ARE CONSIDERING CURTAILING SERVICES, MIIA BOARD MEMBERS AND STAFF ARE DEDICATED TO FINDING WAYS TO DELIVER ADDITIONAL SERVICES AT THE LOWEST POSSIBLE PRICE—WHILE AT THE SAME TIME MAKING SURE THAT MIIA'S LONG-TERM FINANCIAL STATUS IS SECURE. WE CONTINUE TO STRIVE TO IMPROVE OUR TRAINING, LOSS CONTROL AND WELLNESS CAPABILITIES. WE WANT OUR SERVICES TO BE TARGETED TO YOUR NEEDS AND AS RELEVANT AS POSSIBLE. WITH YOUR COMMITMENT, FEEDBACK AND PARTNERSHIP, WE ARE DEDICATED TO MEETING THIS CHALLENGE.

"NORTHAMPTON SAVES ON INSURANCE PREMIUMS," THE REPUBLICAN, JUNE 25, 2010



## MESSAGE TO OUR MEMBERS

**T**he MIIA program was created with one clear purpose: to serve the communities of Massachusetts with outstanding and affordable non-profit insurance programs and services. MIIA is of, by and for local government, established and governed by municipal leaders, and created exclusively to benefit the towns and cities of Massachusetts.

Our mission is to serve the needs of local government and provide maximum value, stability and security in meeting and covering local government's risk management and insurance needs—today and tomorrow.

The continued economic downturn and its impact on local government has been an all-too-common headline over the past year. There is another type of headline, however, that MIIA has tried to help author with our members—a headline based on cities and towns reducing their overall insurance costs by taking advantage of exciting and innovative tools provided by MIIA.

Throughout the Commonwealth, members have taken advantage of MIIA's unique grants, MIIA Rewards credits, participation credits, and other discounts to significantly reduce overall costs. In total, MIIA provided an impressive \$15.6 million in credits to members over the past year, reducing local costs during a time of real need. We are pleased to have partnered with you in spreading the news and making headlines that demonstrate that your active participation in risk management activities leads to real savings for your municipality. This underscores one of MIIA's fundamental beliefs: with the appropriate tools, cities and towns can and will take the steps that will reduce costs in both the short-term and long-term.

As we announced last year, MIIA is implementing a planned release of Property and Casualty Group contingency reserves, leveraging its financial capacity to make available over \$20 million dollars in various credits over the three-year period ending in June 2012. This careful, prudent and thoughtful release of reserves has the support of our actuaries and the Board. We believe that this ambitious plan is particularly beneficial to the communities of Massachusetts, given the significant financial constraints that all communities are facing. We are very proud of this initiative because no private insurer would ever embrace or implement a similar proposal.

The continued rise in health care and health insurance costs persists as one of the most difficult problems confronting us all. This problem is compounded by the state law that dramatically limits the ability of cities and towns to update or change the design of their health insurance plans. Despite these limitations, MIIA offers an array of plan choices and wellness activities to help our members actively mitigate and offset rising costs. Our Well Aware program is central to our efforts to reduce health care costs. We are extremely proud that nearly 5,000 member employees participated in our vast selection of wellness opportunities in FY 2010, making MIIA a true wellness leader. We continue to expand and update these offerings to keep the programs relevant and easy to use.

"EMPLOYEES WIN BIG IN HEALTHY PROGRAM," SALEM NEWS, SEPTEMBER 1, 2010

MIIA offers an array of benefit plans that are designed for employees to assume greater accountability and involvement in their health choices without jeopardizing quality of care. MIIA's Options products, now with over 30 members participating, are designed to reward members with lower costs by choosing high-quality hospitals and lower-cost providers. We will continue our expansion of that plan design offering, and will continue to provide alternatives on our other products as well, through a variety of co-pay and deductible options.

Over this past year, we introduced an intensive educational effort in collaboration with Blue Cross and Blue Shield of Massachusetts. Known as the Well Power program, it is a concentrated initiative that focuses heavily on education and providing incentives to members for using the health care system and benefit plans wisely and effectively.

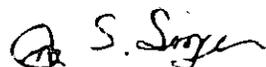
The Health Trust is also pleased to continue offering its cost and coverage comparison tool known as the C-3 tool. The sole purpose of this tool is to provide members with a simple and objective means of comparing the costs and benefits of various plan design options.

The Trust is also facing the challenge of new National Health Reform legislation. We continue to analyze the impact of these changes on cities and towns, and, where possible, are taking advantage of any funding available from those reforms, such as the Early Employee Retirement Program (EERP). These efforts are consistent with MIIA's approach to previous changes mandated by the federal government. For example, MIIA's efforts on behalf of its members to recoup funds from the Medicare Part D subsidies has resulted in the return of nearly \$8 million to members from the Centers for Medicare and Medicaid Services. We are hopeful that our efforts on behalf of the members on the EERP will produce even greater benefits.

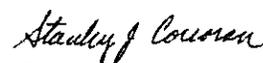
It has been a busy, challenging and productive year. The Board of Trustees, leadership and staff at MIIA are dedicated to and focused on delivering on MIIA's promise to serve you and your colleagues in local government. Our bottom line is this: MIIA is member-driven and exists solely to benefit local government and to serve you and all of our members.

You are why we exist, which is why we offer our deep appreciation for the opportunity to serve you, partner with you, and build a strong future together.

Sincerely,

  
Ira Singer  
Chairman

  
Geoff Beckwith  
President/CEO

  
Stan Corcoran  
Executive Vice President



## HEALTH BENEFITS TRUST — HELPING YOU CONTROL HEALTH CARE COSTS

We all search constantly to find ways to control the cost of health care and health insurance. Health insurance continues to absorb a larger and larger share of municipal budgets, stealing dollars that might otherwise be spent on education, fire and police services, and basic maintenance of streets and town property. The MIIA Health Benefits Trust analyzes the complicated factors that relentlessly push costs higher every year. More importantly, the Trust seeks initiatives to fight these factors and slow the pace of increase.

Over the past year, MIIA has engaged its health partner, Blue Cross and Blue Shield of Massachusetts, in a range of initiatives to help control health cost trends. One such pilot initiative is Well Power, a data-driven collaboration between MIIA, Blue Cross and selected larger members, that brings the combined benefits of Blue Cross and MIIA programs and resources to educate and incent consumers to use the health care system and their benefit plans wisely and effectively.

MIIA has also worked with Blue Cross in offering educational resources through a variety of mediums such as web-based member microsites. These sites provide individual subscribers and the municipality a convenient means to better manage their health care utilization. Another web-based tool is Blue Advisor, a consultative resource for consumers who need assistance navigating their way through the health care system.

A significant way to provide employees with high-quality affordable health care is through plan design. To this end, MIIA offers a variety of benefit plans designed to encourage better utilization of benefits while achieving high-quality outcomes. To better assist members in choosing the most cost-effective plan design, MIIA continues to offer its C-3 tool ("Cost and Coverage Comparison Tool"). The C-3 is a set of linked Excel spreadsheets that can be used to compare the municipality's current health insurance plan to several alternative options. When all the data is entered, the tool gives reliable information to MIIA members to help them evaluate their health benefits program choices.

A major challenge facing us is the new National Health Reform legislation. The Health Benefits Trust is working closely with Blue Cross and our consultants so that we can provide MIIA members with accurate information about changes and timelines governing implementation and compliance. We seek to provide members with the most cost-effective options and tools for implementing the federal reform requirements. For example, MIIA has already applied for the Early Retiree Reinsurance subsidy, funding that was made available with the passage of the National Health Reform legislation. Our application has achieved the first milestone by being approved for consideration, and we are currently awaiting notice of available reimbursements.



## WELL AWARE — OUR COMMITMENT TO BETTER HEALTH FOR YOUR EMPLOYEES

MIIA's wellness initiatives continue to offer a means for members to help employees improve their health habits and reduce medical costs. Our Well Aware program continues to be a major force within the Massachusetts municipal employee community. The Well Aware staff organizes and promotes a substantial number and range of programs that help instill healthier and more balanced lifestyles. In FY 2010, nearly 250 on-site programs were offered to a total of almost 5,000 participants.

Our signature Well Aware programs continued to contribute to the health and well-being of many member employees. Here's an update for FY 2010:

"Heart Matters" cardiac risk reduction program: Our signature risk reduction program was offered to Franklin, Lee, Marblehead, Maynard, Salem, Sutton, Georgetown, Ludlow, Lunenburg, Lynnfield and Reading last year, servicing nearly 150 employees and their spouses. Satisfaction levels have been extremely high. We are proud to report that Heart Matters participants walked more than 12,000 miles during the Walk Across America program! A formal evaluation of participants at the conclusion of the Heart Matters program found these positive results:

- Participants reported an improvement in their general health and greater satisfaction with their lives.
- The number of participants who "strongly agreed" that stress affected their health or well-being was down significantly.
- The number of participants who exercised one or more hours per week increased significantly.
- Overall there was an increase in the percent of participants whose total cholesterol moved into

the desirable category (<200). HDL, LDL and triglycerides all showed improvement. Likewise a higher percentage of participants had glucose measured in the <100 category. Blood pressure readings and BMI measurements also improved.

Some of our most popular programs in FY 2010 focused on making long-lasting changes in diet, exercise and emotional well-being. Here's a sampling of some of the new programs in which members participated in FY 2010:

- The Biggest Winner
- Pathways to Weight Loss
- New Directions in Weight Loss
- Fitness Fusion
- Get Fit with Wii Fit!

"The Biggest Winner" is a 10-week online health promotion program that challenges participants to set and meet their own goals. Challenges include a 10-week weight loss challenge and a 10-week walking challenge, as well as weekly challenges in the areas of diet, stress reduction, emotional well-being and exercise. Salem, the first community to offer the program, had 150 employees (and spouses) participate.

One of our more robust weight loss programs, "New Directions in Weight Loss," is a 10-week program for those needing to lose at least 25 pounds. The program combines contemporary nutrition with weight loss education and hypnotherapy.

MIIA  
**Well Aware**  
Your Health Promotion Partner

*"WOBURN EMPLOYEES JOIN IN FITNESS PROGRAM,"  
DAILY TIMES CHRONICLE, JANUARY 11, 2010*



**NEW IN 2010-2011**

Look for more on the collaborative effort mentioned earlier—"Well Power." It is a dynamic initiative that invites members and their families to take control of their health and health care. The program is designed to help participants be healthier, feel better, be more productive and become more knowledgeable health care consumers. The program is being piloted in the towns of Amesbury and Danvers with great success, due in part to the commitment of these towns and their leadership.

New videos will soon be posted on our website of programs led by our own staff, including yoga, chair relaxation, cooking demos and exercise workouts.

MIIA continues to promote the Better Choices, Better Health™ online workshop for those over the age of 55 with any chronic health condition. Better Choices, Better Health™ was developed and tested at Stanford University. It is offered exclusively through a license from the National Council on Aging. With funding from the Atlantic Philanthropies, it is currently being piloted in seven states—California, Hawaii, Iowa, Maine, Massachusetts, New Jersey and Oregon.

As always, MIIA continues our strong partnership with Blue Cross and continues to work toward improvement of products, services and cost control. We are working together on a number of collaborative initiatives to bring our members the most effective programs possible.

### **RETIREE DRUG SUBSIDY AND RETIREE PRODUCTS FOR MUNICIPAL SAVINGS**

Many MIIA communities have been taking advantage of the federal Retiree Drug Subsidy (RDS) program, which was launched in 2006 as part of the Medicare Modernization Act. The intent of the program, which subsidizes the cost of prescription drug benefits for retirees, was to encourage employers not to eliminate or drastically reduce retiree benefits.

Most MIIA members offer retiree plans with a prescription drug benefit and, therefore, qualify to participate in the federal program. The subsidy payment amounts are primarily based on a formula that reflects the headcount of eligible retirees, the employer contribution share, the retiree benefit design, and prescription claims costs. Since the RDS program began, MIIA has partnered with about 36 members each year to assist with the intricate process. To date, MIIA has helped members receive nearly \$8 million in federal subsidies.

If the RDS program is not the best solution for the MIIA member, the Trust staff can discuss other available retiree product options to achieve premium savings. One such product has the subsidy built in to the premium, Blue Medicare Rx, a prescription drug plan (PDP). This PDP is coupled with an unchanged medical benefit of Medex 2 or Managed Blue for Seniors 2. Effective July 1, 2010 MIIA also began offering a variation of Medex 3 with a three-tier co-payment feature similar to that of an HMO for an active employee.

## PROPERTY AND CASUALTY AND WORKERS' COMPENSATION— PROVIDING PROTECTION, REDUCING COSTS

The MIIA Property and Casualty Group continues to aggressively control costs for our members while improving services, expanding loss control initiatives, and making MIIA Rewards opportunities more accessible.

Again, MIIA returned retroactively \$2 million to members at the end of FY 2010 in the form of participation credits. These credits were awarded in addition to all other premium credits previously provided to members for FY10. MIIA also increased the loss control grant budgets. And, the "one-time" early premium payment discount of 5% was offered again—for the second time—applicable to FY 2011 premiums. In fact, the total of all premium discounts, credits and grants in FY 2010 was \$15.6 million!

All of these credits and discounts are part of MIIA's overall financial relief plan to the members approved by the Board. Throughout the year, the Board evaluates the program's financial position, with the assistance of our actuaries, to determine the amount of credits and discounts that MIIA can prudently provide its members. MIIA seeks a balance between the needs of the membership for low-cost, high-quality insurance coverage and long-term financial stability. A stable financial structure is critical to long-term continuity, high-level service and premium stability. The ability to achieve these goals despite any financial storm is a critical objective for MIIA.

  
**MIIA  
Rewards**  
Your Prevention & Protection Partner



### WORKING WITH YOUR COMMUNITY

#### MIIA LOSS CONTROL AND MIIA REWARDS

The FY 2010 MIIA Rewards program again offered expanded programs and increased member participation. In FY10 MIIA Rewards delivered 51 technical trainings, 41 regional and "cluster" management trainings, 74 on-site management trainings and 14 emergency vehicle operator trainings. These many training sessions were held in 52 different locations in the Commonwealth. Most importantly, we are extremely pleased that nearly 4,000 municipal employees participated in MIIA Rewards training in FY 2010! Since 2002, the total MIIA Rewards credits earned by members has now surpassed \$12 million.

For 2010-2011 MIIA Rewards will continue to seek the most relevant education and training programs for our members. We have begun more frequent use of webinars and members are responding very well to this method of training. In fact, more than 340 member employees have already participated in webinar training as of November 2010. We also continue to work with many valuable partners that help us provide the highest quality training available. Those key partners are the MA Commission Against Discrimination, MA Department of Occupational Safety, New England Water Works Association, the Citizens Planning Training Council, Quality Behavioral Solutions and The New England Training Consortium, based at UMass Lowell.

Our dedicated loss control staff continues day-to-day service to members through on-site loss control visits that provide customized training and loss control solutions. Loss control representatives consult with members daily on many loss control issues. The MIIA driver-training simulator continues to be one of our most popular offerings. In FY10, 1,203 member employees from 58 municipalities were trained. In six years, over 5,200 employees have been trained on the

"TOWNS RECEIVE GRANTS FOR LOSS CONTROL AND SAFETY EFFORTS," *COMMUNITY ADVOCATE* (WESTBOROUGH AND SOUTHBOROUGH), JULY 15, 2010



simulator. MIIA also does more specialized driver training with highly experienced trainers. In FY10, these individuals trained 718 employees and have now trained a total of more than 3,000 member employees. Two other specialized driver-training courses MIIA offers are the Emergency Vehicle Operator Course (EVOC) and Emergency Vehicle Driver Training course (EVDT), which is a train-the-trainer course. The EVOC course trained 196 police officers in 2010, while EVDT trained 46 firemen who will be able to pass this training on to other firemen in their communities. Our loss control grant program awarded 96 grants for specific member loss control initiatives. The total amount awarded was \$352,000.

In our Workers' Compensation program, MIIA trained 877 employees in maintaining back health. We also introduced our affiliation with Best Doctors Occupational Health Institute (BDOHI). Following the trend in health insurance, the BDOHI concept focuses on providing injured workers with the best care available at the earliest possible time. The primary goal is high-quality medical care with secondary benefits of reducing lost work time and, ultimately, lowering medical costs overall. MIIA continually pursues the goal of providing injured employees with access to the best medical care available in Massachusetts. Our goal is to constantly improve medical outcomes and to help the employee get back to work. As in the health insurance arena, we continue to evaluate and analyze medical costs related to workers' compensation claims.

## FY 2010 CLAIMS

### OPERATIONS IN REVIEW

As one of the most fundamental services to members, MIIA prides itself on prompt, responsive, professional claims handling services. Our Property and Casualty and Workers' Compensation claims representatives protect the interests of our members with superior knowledge, early intervention and, most importantly, a highly professional approach to the investigation and adjustment of members' claims.

Members typically appreciate the value of their MIIA policy when they are most vulnerable, that is, when they are faced with a serious claim, be it a fire, vehicle collision or legal action. The MIIA claims staff members know they must respond promptly while bringing knowledge and support to each member involved with a claim. The staff is very familiar with all available municipal defenses. Further, they understand when aggressive defense or, alternatively, pursuit of settlement is most appropriate. Most importantly, the MIIA claims staff understands that MIIA is our membership. Frequently the staff will support members with claims that fall outside of the coverage provided by MIIA. They provide valuable advice and guidance simply as a service to members. In addition to this support, MIIA claims staff continually collaborates with all other MIIA operations. They work hand-in-hand with Loss Control, MIIA Rewards, Marketing and Underwriting.

In FY 2010, our Property and Casualty claims staff handled 4,549 new claims, an average of nearly 17 claims per member. The most significant types of claims, by far, were general liability claims, totaling 1,693. Other substantial claims were 986 auto physical damage, 854 auto liability and 800 property (including inland marine). Of all liability claims handled in 2009-2010, 853 were settled and 1,436 were closed without payment. Thus, only 451 remain active.

In FY 2010, the Workers' Compensation claims staff handled 3,888 new claims, an average of 13 claims per member. They closed 3,588 claims for a closing ratio of 92% (closed claims divided by new claims). Forty-four workers' compensation cases were settled thereby reducing many years of future lost time payments. The claims staff works very closely with our nurses who act as medical patient advocates and strive to ensure prompt and appropriate treatment for injured workers.

# FINANCIAL STATEMENTS

## MASSACHUSETTS INTERLOCAL INSURANCE ASSOCIATION

### CONDENSED BALANCE SHEET

As at June 30	2010	2009
<b>ASSETS</b>		
Investments and cash	\$76,059	\$150,349
Other assets	623,497	484,611
Fixed assets	62,425	71,220
	<b>\$761,981</b>	<b>\$706,180</b>
<b>LIABILITIES AND SURPLUS</b>		
Total liabilities	\$625,430	\$544,330
Surplus	136,551	161,850
	<b>\$761,981</b>	<b>\$706,180</b>

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND SURPLUS

Years Ended June 30	2010	2009
<b>REVENUES</b>		
Management services	\$5,832,591	\$5,433,049
Other income	18,047	113,398
	<b>5,850,638</b>	<b>5,546,447</b>
<b>EXPENSES</b>		
Management expenses	5,832,591	5,433,049
Other expenses	43,346	78,765
	<b>5,875,937</b>	<b>5,511,814</b>
Excess of expenses over revenues	(25,299)	34,633
Surplus, beginning of year	161,850	27,217
<b>Surplus, end of year</b>	<b>\$136,551</b>	<b>\$161,850</b>

### CONDENSED STATEMENT OF CASH FLOWS

Years Ended June 30	2010	2009
<b>Net cash provided by (used for):</b>		
Operating activities	(\$59,459)	(\$14,618)
Investing activities	(14,831)	(57,065)
Net change in cash and cash equivalents	(74,290)	(71,683)
Cash and cash equivalents, beginning of year	150,349	222,032
<b>Cash and cash equivalents, end of year</b>	<b>\$76,059</b>	<b>\$150,349</b>

## MIIA HEALTH BENEFITS TRUST

### CONDENSED BALANCE SHEET

As at June 30	2010	2009
<b>ASSETS</b>		
Investments and cash	\$108,105,430	\$111,605,158
Other assets	6,082,729	7,107,418
	<b>\$114,188,159</b>	<b>\$118,712,576</b>
<b>LIABILITIES AND TRUST BALANCE</b>		
Loss and loss adjustment expense reserves, net	\$25,531,000	\$21,084,000
Other liabilities	5,824,164	8,102,194
	<b>31,355,164</b>	<b>29,186,194</b>
Trust balance	82,832,995	89,526,382
	<b>\$114,188,159</b>	<b>\$118,712,576</b>

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND SURPLUS

Years Ended June 30	2010	2009
<b>REVENUES</b>		
Net earned premiums	\$309,850,099	\$291,118,009
Investment income, net	3,333,487	4,722,372
	<b>313,183,586</b>	<b>295,840,381</b>
<b>EXPENSES</b>		
Loss and loss adjustment expenses	315,251,114	280,061,349
Other underwriting expenses	4,625,859	4,402,156
	<b>319,876,973</b>	<b>284,463,505</b>
Excess of revenues over expenses	(6,693,387)	11,376,876
Trust balance, beginning of year	89,526,382	78,149,506
Trust balance, end of year	<b>\$82,832,995</b>	<b>\$89,526,382</b>

### CONDENSED STATEMENT OF CASH FLOWS

Years Ended June 30	2010	2009
<b>Net cash provided by (used for):</b>		
Operating activities	(\$3,730,792)	\$14,648,121
Investing activities	(2,463,431)	(46,802,004)
Net change in cash and cash equivalents	(6,194,223)	(32,153,883)
Cash and cash equivalents, beginning of year	35,300,141	67,454,024
Cash and cash equivalents, end of year	<b>\$29,105,918</b>	<b>\$35,300,141</b>

## MIIA PROPERTY AND CASUALTY GROUP, INC.

### CONDENSED BALANCE SHEET

As at June 30	2010	2009
<b>ASSETS</b>		
Investments and cash	\$177,239,748	\$161,478,614
Other assets	6,404,332	6,210,409
	<b>\$183,644,080</b>	<b>\$167,689,023</b>
<b>LIABILITIES AND MEMBERS' SURPLUS</b>		
Loss and loss adjustment expense reserves, net	\$81,232,725	\$70,566,068
Other liabilities	9,286,244	7,962,069
	<b>90,518,969</b>	<b>78,528,137</b>
Members' surplus	93,125,111	89,160,886
	<b>\$183,644,080</b>	<b>\$167,689,023</b>

### CONDENSED STATEMENT OF REVENUES, EXPENSES AND SURPLUS

Years Ended June 30	2010	2009
<b>REVENUES</b>		
Net earned premiums	\$55,144,529	\$56,566,324
Investment income and other income, net	15,241,423	4,063,573
	<b>70,385,952</b>	<b>60,629,897</b>
<b>EXPENSES</b>		
Loss and loss adjustment expenses	44,810,053	51,040,167
Other underwriting expenses	5,998,634	5,529,524
	<b>50,808,687</b>	<b>56,569,691</b>
Excess of expenses over revenues	19,577,265	4,060,206
Members' surplus, beginning of year	89,160,886	98,577,821
Participation, underwriting and other credits	(15,113,040)	(12,977,141)
Dividends	(500,000)	(500,000)
Members' surplus, end of year	<b>\$93,125,111</b>	<b>\$89,160,886</b>

### CONDENSED STATEMENT OF CASH FLOWS

Years Ended June 30	2010	2009
<b>Net cash provided by (used for):</b>		
Operating activities	\$6,471,172	\$7,918,698
Investing activities	(9,763,910)	(4,928,670)
Financing activities	(508,743)	(613,998)
Net change in cash and cash equivalents	(3,801,481)	2,376,030
Cash and cash equivalents, beginning of year	4,877,525	2,501,495
Cash and cash equivalents, end of year	<b>\$1,076,044</b>	<b>\$4,877,525</b>

## NOTES TO THE FINANCIAL STATEMENTS

The condensed financial information was derived from our financial statements for the years ended June 30, 2010 and 2009, which have been audited by our independent accountants who have expressed unqualified opinions dated October 13, 2010 and October 8, 2009 on those financial statements.

### MIIA PROPERTY AND CASUALTY GROUP, INC.

#### Summary of Significant Accounting Policies

The audited financial statements from which the accompanying condensed financial information was derived were prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies:

**Cash equivalents**—Cash equivalents are highly liquid investments with a maturity of three months or less when purchased.

**Investments**—Investments held principally for resale in the near term are classified as trading securities and recorded at their fair values. Net investment income includes both interest income and changes in the fair value of investments which represent realized gains and losses and changes in unrealized gains and losses.

**Net earned premiums**—Payments by members to the Group for risk coverage are designated as premiums in the accompanying financial information. Premiums are earned on a pro-rata basis over the period that coverage is provided to members. Member coverage periods and reinsurance contract periods coincide with the Group's fiscal year. The majority of Workers' Compensation premiums earned are reported net of a discount that approximates 29%. Certain other members pay deposit premiums based on estimated loss ratios to be incurred. Earned premiums are subject to adjustment from payroll audits after the end of the insurance coverage period.

**Loss and loss reserves**—Losses are recorded as incurred. Losses are provided for through the establishment of loss reserves in amounts estimated to cover incurred losses including individual case estimates for the ultimate cost of reported losses, estimates of unreported losses based on past experience modified for current trends and loss adjustment expenses. Amounts for loss reserves are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation through the use of historical data that reflect past inflation. Changes in estimates of loss reserves are charged or credited to expense when such changes are determined to be appropriate. Loss reserves are presented net of reinsurance recoverable on unpaid losses.

**Income taxes**—The accompanying financial information includes no provision or related liability for income taxes, as the Group believes that income is excludable for federal and state reporting purposes.

**Members' surplus**—The surplus includes a contingency reserve established to provide a margin for potential future adverse deviations in loss experience.

**Dividends**—In fiscal years 2010 and 2009, the Board of Trustees declared Workers' Compensation dividends for all policy years 1988-2007 and 1988-2008, respectively, totaling \$500,000 in each fiscal year. These dividends are payable to/paid to Group members who participated in the Workers' Compensation pool in the respective policy years.

### MASSACHUSETTS INTERLOCAL INSURANCE ASSOCIATION, INC.

#### Summary of Significant Accounting Policies

The audited financial statements from which the accompanying condensed financial information was derived were prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies:

**Cash equivalents**—Cash equivalents are highly liquid investments with a maturity of three months or less when purchased.

**Revenue recognition**—Revenue is recognized as earned. Revenue for management services is earned in connection with administering the Group's and Trust's activities. Other income includes income on administrative services for certain communities' workers' compensation self insurance programs, determined on a cost-plus basis.

**Income taxes**—The accompanying financial information includes no provision or related liability for income taxes, as MIIA believes that income is excludable for federal and state reporting purposes.

### MIIA HEALTH BENEFITS TRUST

#### Summary of Significant Accounting Policies

The audited financial statements from which the accompanying condensed financial information was derived were prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies:

**Cash equivalents**—Cash equivalents are highly liquid investments with a maturity of three months or less when purchased.

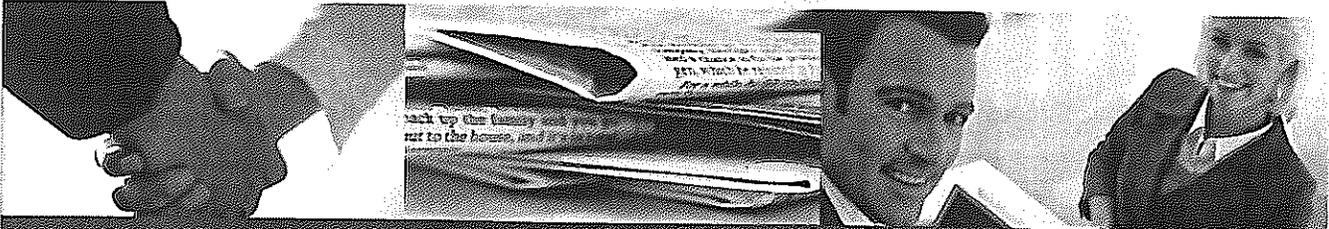
**Investments**—Investments held principally for resale in the near term are classified as trading securities and recorded at their fair values. Net investment income includes both interest income and changes in the fair value of investments which represent realized gains and losses and changes in unrealized gains and losses.

**Earned premiums**—Payments by members to the Trust for risk coverage are designated as premiums in the accompanying financial information. Premiums are billed monthly and are earned in the month that coverage is provided to members, and are reported net of excess insurance ceded.

**Loss and loss reserves**—Losses are provided for through the establishment of loss reserves in amounts estimated to cover incurred losses including estimates for the ultimate cost of reported losses, estimates of unreported losses based on past experience modified for current trends, and loss adjustment expenses. Amounts for loss reserves are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency and other economic and social factors. A provision for inflation is implicit in the calculation through the use of historical data that reflect past inflation. Changes in estimates of loss reserves are charged or credited to expense when such changes are determined to be appropriate. Loss reserves are presented net of reinsurance recoverable on unpaid losses.

**Income taxes**—The accompanying financial information includes no provision or related liability for income taxes, as the Trust believes that income is excludable for federal and state reporting purposes.

"TOWN TAKES STEPS TO GET GRIP ON FINANCE,"  
 READING CHRONICLE, AUGUST 25, 2009



## MIIA MEMBERS

Abington	Boston Evening Academy	Dennis/Yarmouth R.S.D.	Granville
Abington/Rockland J.W.D.	Boston Renaissance C.S.	Dighton/Rehoboth R.S.D.	Great Barrington
Academy Strategic Learning	Boxborough	Douglas	Greater Lawrence Educational
Acton	Boxford	Dover	Greater Lawrence Sanitary District
Acton/Boxborough R.S.D.	Boylston	Dover/Sherborn R.S.D.	Greater New Bedford R.R.D.
Acton W.D.	Boylston W.D.	Dracut W.S.D.	Groton
Acushnet	Braintree	Dudley H.A.	Groton Country Club
Adams	Brewster	Dudley/Charlton R.S.D.	Groveland
Adams Fire District	Bridgewater	Dukes County	Hamilton
Amesbury	Brimfield	Dukes County Retirement Board	Hamilton/Wenham R.S.D.
Amherst H.A.	Brookfield	Dukes County Sheriffs	Hampden
Andover	Brookline H.A.	Dunstable	Hampden County R.B.
Aquinnah	Brookline Retirement Board	Duxbury	Hampshire County R.S.D.
Arlington	C.A.S.E. Collaborative	East Brookfield	Hancock
Arlington H.A.	Cambridge H.A.	East Longmeadow	Hanover
Ashburnham	Carlisle	Eastham	Harwich
Ashby	Carver	Eastham H.A.	Hardwick
Ashfield	Central Berkshire R.S.D.	Easthampton	Hatfield
Ashland	Central Mass Reg.	Easton	Health Careers Academy
Athol	Charlemont	Education Collaborative	Heath
Auburn W.D.	Charles River Pollution Control	Egremont	Hillcrest Water District
Avon	Chelmsford	Erving	Hinsdale
Ayer	Cheshire	Essex	Holden
Ayer/Shirley R.S.D.	Chester	Falmouth	Holden H.A.
Barnstable County	Chesterfield	Farmington River R.S.D.	Holland
Barnstable F&W District	Chesterfield/Goshen R.S.D.	Fitchburg	Holliston
Barre	Chilmark	Florida	Hoosac Water District
Becket	Clarksburg	Four Rivers C.S.	Hopkinton
Bedford	Clinton	Foxborough	Hubbardston
Bellingham	Cohasset	Framingham	Hudson
Belmont	Colrain	Franklin	Hudson H.A.
Belmont Municipal L.D.	Concord	Franklin Cty Solid Waste	Huntington
Berkley	Concord	Freetown	Ipswich
Berkshire Arts & Tech. C.S.	Concord Carlisle Reg.	Freetown/Lakeville R.S.D.	Kingston
Berkshire Cty. Retirement	Conservatory Lab Charter School	Gardner	LABBB Collaborative
Berkshire Hills R.S.D.	Conway	Gateway R.S.D.	Lake Buel Rest. & Pres. District
Berkshire Reg. Plan. Com.	Cummington	Georgetown	Lanesborough
Berlin	Dalton	Gill	Lanesborough W.D.
Berlin/Boylston R.S.D.	Dalton Fire District	Gloucester	Lee
Bi-County Ed. Coll.	Danvers	Gloucester Contrib. Retirement	Leicester
Billerica	Deerfield Fire District	Gloucester H.A.	Leicester Water Supply District
Blackstone	Dennis	Goshen	
Blackstone/Millville R.S.D.	Dennis W.D.	Grafton	
Blandford		Grafton W.D.	

Lenox	Nashoba B.H.	District	Tri-Town Beach
Leominster	Nashoba R.S.D.	Reading	Commission
Leverett	Nashoba Valley Tech.	Richmond	Truro
Leyden	Nauset Regional School	Ring's Island Water	Tynsborough
Lincoln	District	District	Tyringham
Lincoln/Sudbury R.S.D.	Needham	Rochester	Upton
Littleton	New Ashford	Rockland H.A.	Uxbridge
Longmeadow	New Marlborough	Rockport	Wakefield
Lowell H.A.	New Salem	Rowe	Wales
Lowell Middlesex Acad.	Newbury	Rowley	Walpole
Ludlow	Newburyport	Rowley H.A.	Waltham
Lunenburg	Norfolk	Royalston	Ware
Lunenburg Water District	North Adams	Russell	Wareham
Lynnfield	North Adams Public	Rutland	Warren
Lynnfield Center W.D.	Schools	Salem	Warren W.D.
Lynnfield Water District	North Andover	Salisbury	Washington
Manchester/Essex R.S.D.	North Brookfield	Sandisfield	Watertown
Manchester-by-the-Sea	North Reading	Sandwich	Wayland
Marblehead	North Reading H.A.	Savoy	Wayland H.A.
Marblehead C.C.P.S.	North Shore Edu. Consort.	Scituate Housing Authority	Wellesley
Marlborough	Northampton	Seekonk Water District	Wellfleet
Marshfield	Northborough	Sheffield	Wendell
Martha's Vineyard P.C.S.	Northborough/	Shelburne	Wenham
Masconomet R.S.D.	Southborough R.S.D.	Sherborn	West Boylston
Mashpee	Northern Berkshire Solid	Shirley	West Boylston W.D.
Mashpee W.D.	Waste	Shirley Water District	West Bridgewater
Mattapoissett	Northern Middlesex	Shutesbury	West Brookfield
Maynard	Council of Governments	Silver Lake R.S.D.	West Newbury
Medfield	Northfield	South Berkshire Ed. Coll.	West Newbury H.A.
Medfield H.A.	Norwell	South Deerfield F.D.	West Springfield
Medway	Norwood	South Deerfield W.D.	West Stockbridge
Mendon	Oakham	South Essex Sewer	West Tisbury
Mendon-Upton Reg. Sch.	Orange	District	West Warren Public
District	Orleans	South Hadley E.L.D.	Library
Merrimac	Orleans/Brewster/	South Middlesex Vo-Tech/	West Warren W.D.
Metropolitan Area	Eastham G.W.P.	KeefeTech H.S.	Westborough
Planning Co	Otis	Southborough	Westborough T.P.
Middleborough	Oxford	Southbridge	Westfield
Middlefield	Oxford H.A.	Southwick	Westford
Middlesex County	Oxford Rochdale W.D.	Southwick/Tolland R.S.D.	Westhampton
Retirement Board	Palmer	Spencer	Westminster
Middlesex County Sheriffs	Palmer Fire & Water	Sterling	Weston
Middleton	District	Stockbridge	Westport
Middleton H.A.	Pathfinder Vocational	Stoneham	Westwood
Millbury H.A.	Technical	Sturbridge	Westwood H.A.
Millis	Paxton	Sudbury	Weymouth/Braintree
Millville	Pelham	Sudbury W.D.	R.R.C.D.
Milton	Pentucket Regional	Suffolk County Sheriffs	Whately
MMA	School District	Sunderland	Whitman
MMWEC	Pepperell	Sutton	Wilbraham
Monroe	Peru	Swansea	Williamsburg
Monson	Petersham	Swansea Water District	Williamstown
Montachusett Reg. Voc.	Pilgrim Area Collaborative	Tantasqua R.S.D.	Wilmington
Tech.	Pioneer Valley Planning	Taunton	Winchendon
Montague Cont. Retire.	Commission	Templeton	Winchester
Sys.	Pittsfield	Tewksbury	Winchester H.A.
Monterey	Plainville	Three Rivers Fire District	Windsor
Monterey Fire Co. LTD.	Plymouth	Tolland	Winthrop
Montgomery	Plympton	Topsfield	Woburn
Mount Greylock R.S.D.	Provincetown	Townsend	Worthington
Mount Washington	Quaboag R.S.D.	Tri-County R.V.T.S	Worthington Fire District
Nahant	Ralph C. Mahar R.S.D.	Triton R.S.D.	Wrentham
Narragansett R.H.S.	Raynham Center Water		Yarmouth

**MIIA** MASSACHUSETTS  
BASED  
MEMBER  
DRIVEN

*MIIA is a membership service of the Massachusetts Municipal Association*

One Winthrop Square, Boston, MA 02110

MIIA 800.882.1498  
Health Benefits Trust 800.374.4405  
[www.eMIIA.org](http://www.eMIIA.org)  
[miiainfo@mma.org](mailto:miiainfo@mma.org)