

Michigan Municipal League Workers' Compensation Fund

Notes to Financial Statements June 30, 2007 and 2006

Note 3 - Net Reserves for Losses and Loss Adjustment Expenses

The Fund establishes reserves for both reported and unreported insured events; such reserves include estimates for future payments of losses and related loss adjustment expenses, including state assessments. A summary of changes in net losses and loss adjustment expenses for the Fund for the years ended June 30, 2007 and 2006 is as follows (amounts are net of the effects of reinsurance):

	<u>2007</u>	<u>2006</u>
Net losses and loss adjustment expenses (undiscounted) - Beginning of year	\$ 42,591,771	\$ 42,223,209
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year	19,053,934	18,257,134
Change in provision for insured events of prior fiscal years	<u>(484,026)</u>	<u>(2,061,746)</u>
Total incurred losses and loss adjustment expenses	18,569,908	16,195,388
Payments - Net of reinsurance recoveries and member deductibles:		
Losses and loss adjustment expenses related to insured events of the current year	(5,351,059)	(5,956,041)
Losses and loss adjustment expenses related to insured events of prior fiscal years	<u>(11,175,880)</u>	<u>(9,870,785)</u>
Total payments	<u>(16,526,939)</u>	<u>(15,826,826)</u>
Net losses and loss adjustment expenses (undiscounted) - End of year	<u>\$ 44,634,740</u>	<u>\$ 42,591,771</u>

The provision for incurred losses and loss adjustment expenses has been reduced for amounts recoverable from reinsurers of approximately \$9,500,000 and \$4,700,000 at June 30, 2007 and 2006, respectively. The incurred losses relating to prior accident years reflect a savings, which is generally related to changes in estimates of prior years' insured events.

The estimated liability for incurred prior year claims decreased in 2007 and 2006 due primarily to claims settling for amounts different from those originally estimated.