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September 13, 2021

Ms. Gayle Cummings
Administrator
Michigan County Road Commission Self-Insurance Pool
417 North Seymour Street
P.O. Box 14119
Lansing, MI 48901

Re: Milliman Engagement Letter for 2021-22 Actuarial Services

Dear Gayle:

Milliman, Inc. (Milliman) is pleased to provide actuarial services to the Michigan County Road Commission Self-Insurance Pool (the "Pool"). We value our working relationship and the trust you put into our work and are excited to continue our long-standing partnership with the Pool.

We have prepared this engagement letter to outline our consulting objectives for the September 2021 through August 2022 period, our proposed approach to these objectives, and finally, our costs of performing the outlined assignments.

Consulting Objectives

The Pool objectives involve the development of the projected ultimate retained loss and ALAE (a funding estimate) for the April 1, 2022 to March 31, 2023 fiscal year. In addition, the Pool requires an independent estimate of the Pool's total liability for unpaid claims (including incurred but not reported, or IBNR) as of March 31, 2022. Like prior engagements, as a subset of this analysis, a separate funding estimate for the Pool's auto liability claims with trunkline exposure will be included.

Our funding and reserving estimates will reflect the specific characteristics of the Pool's exposure, such as the number of participating members, the deductibles by coverage by member, the coverages and limits provided, and the Pool's reinsurance. As in past years, we will provide both discounted and undiscounted estimates with respect to the time value of money.

The results of our estimates for the Pool's unpaid claim liabilities and IBNR will permit us to prepare the Reserve Certification/Statement of Actuarial Opinion that the Pool is required to file with the state of Michigan. In addition, we will perform a dividend analysis for the Pool, which will utilize A.M. Best's updated Capital Adequacy Ratio (BCAR) model and MCRCSIP financial data as of March 31, 2022. In addition to performing the above tasks, we agree to attend certain meetings (whether virtually or in person), as requested, to discuss and present our analyses with the Pool's staff and Board of Directors.

Approach

Our approach to evaluating the Pool's funding and reserve position will be consistent with the approach we utilized last year. A step-by-step layout of our work is as follows:

- 1) As soon as we receive the September 30, 2021 data, we will begin our funding analysis. Verbal results and/or summary exhibits will be provided to you in early January.
- 2) We will present our funding results at the February Board meeting.
- 3) As soon as we receive the March 31, 2022 data, we will begin our reserving analysis. Draft exhibits will be provided to the Pool's auditors in June prior to the June Board meeting. A draft report will be provided in July; a final copy will be available by the end of July.
- 4) A BCAR analysis will be performed utilizing March 31, 2022 data, and results will be provided in June.
- 5) We will present the results of our reserve and BCAR analyses at the June and July Board meetings.
- 6) A Statement of Actuarial Opinion (Reserve Certification Letter) will be provided prior to July 31.

Costs

Milliman bills strictly for hourly charges and for the reimbursement of out-of-pocket expenses. Fees are billed monthly and are payable upon receipt.

Based on our understanding of the work as outlined above, we estimate that the cost of this year's engagement will be approximately \$85,000-\$90,000. This fee estimate assumes that we will be making three presentations to the Pool's Board. Any services requested by the Pool that fall outside the scope of services outlined above would be billed at our standard hourly rates.

Other Considerations

In our analysis, we will be relying upon data provided to us by the Pool. As with other similar projects, we will not perform an independent audit or verification of the accuracy of this data.

The Pool cedes parts of its exposure to loss to limit its liability for losses. We will not review the various contracts which affect the Pool's unpaid claim liabilities, and in our analysis, we will be relying upon the accuracy of the summary of these provisions provided by the Pool to determine the extent of reinsurance recoverable. Contingent liability exists with respect to ceded reinsurance, which would become an actual liability to the Pool in the event that the reinsuring companies might be unable to meet their obligations under existing reinsurance agreements.

Milliman's work will be prepared solely for the internal use of the Pool. No portion of Milliman's work may be provided to any other party without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work. Milliman's work may not be filed with the SEC or other securities regulatory bodies. In addition, references to Milliman or its estimates in communication with third parties are not authorized.

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The Pool agrees that it shall not use Milliman's name, trademarks or service marks, or refer to Milliman directly or indirectly in any media release, public announcement or public disclosure, including in any promotional or marketing materials, customer lists, referral lists, websites or business presentations without Milliman's prior written consent for each such use or release, which consent shall be given in Milliman's sole discretion.

If you accept the terms of engagement as outlined above, please sign the attached Project Acceptance Form and return it to us at your convenience.

This engagement falls under the Consulting Services Agreement signed December 9, 2014.

If you have any questions on any of the above items, please do not hesitate to contact me at (262) 796-3319.



Gayle, we look forward to working with you again this year, and thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Travis J. Grulkowski".

Travis J. Grulkowski, FCAS, MAAA
Principal and Consulting Actuary

TJG/kall

cc: Carrie Sanford

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PROJECT ACCEPTANCE FORM

MILLIMAN, INC.

Proposed Services: 2021-22 Milliman Engagement Letter for Actuarial Services

Proposal Dated: September 13, 2021

Cost Quoted: \$85,000-\$90,000

Milliman, Inc. will perform the consulting services indicated within the accompanying engagement letter. Michigan County Road Commission Self-Insurance Pool (the "Pool") agrees to the terms and conditions within the accompanying engagement letter and the Consulting Services Agreement signed on December 9, 2014. The Pool also agrees that any work performed beyond the scope of this engagement letter will be billed at our standard hourly rates. The terms and conditions of this engagement letter and the Consulting Services Agreement signed on December 9, 2014 will apply to the additional work.

We request return of this signed Project Acceptance Form prior to commencing the project. The project fees will be invoiced at the conclusion of the project and payments are due within 30 days from date of bill.

On Behalf of: _____

Accepted by: _____

(Signature)

(Print name and title)

Date: _____