Michigan Municipal League
Liability and Property Pool

Financial Report
with Supplemental Information
December 31, 2007

Michigan Municipal League Liability and Property Pool

Contents

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Independent Auditor's Report

To the Board of Directors
Michigan Municipal League Liability
and Property Pool

We have audited the accompanying statement of accumulated members' equity of Michigan Municipal League Liability and Property Pool (the "Pool") as of December 31, 2007 and 2006 and the related statements of revenue, expenses, and changes in accumulated members' equity and cash flows for the years then ended. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Municipal League Liability and Property Pool at December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Michigan Municipal League Liability and Property Pool's basic financial statements. The accompanying required supplemental information and management's discussion and analysis, as identified in the table of contents, are not required parts of the basic financial statements, but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information and management's discussion and analysis; however, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

April 14, 2008

This section of Michigan Municipal League Liability and Property Pool's (the "Pool") annual financial report presents our discussion and analysis of the Pool's financial performance during the year ended December 31, 2007. Please read it in conjunction with the Pool's financial statements, which immediately follow this section.

The Reporting Entity

The Michigan Municipal League (the "League") formed Michigan Municipal League Liability and Property Pool pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December 1982. The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative to members and associate members of the League. The Pool provides services intended to reduce the frequency and severity of losses occurring in the operation of local government functions. It also defends and indemnifies its members against legal liability or loss in accordance with the terms of its intergovernmental agreement and coverage document.

The Pool is comprised of municipalities and related agencies throughout the state of Michigan including cities, villages, townships, counties, public authorities, and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of the League.

The legal basis of the Pool and its organization is set forth under the terms of a pool intergovernmental contract which is entered into and signed by each Pool member. The Pool board of directors must approve the admission of each Pool member.

Our discussion and analysis of the Pool's financial performance provides an overview of its financial activities for the years ended December 31, 2007 and 2006. Please read it in conjunction with the Pool's financial statements, which begin on page 14.

Financial Overview

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information.

The three basic financial statements presented are as follows:

- **Statement of Accumulated Members' Equity** - This statement presents information reflecting the Pool's assets, liabilities, and accumulated members' equity and is categorized into current and noncurrent assets and liabilities. For the purpose of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity which are collectible or becoming due within 12 months of the statement's date.

- **Statement of Revenue, Expenses, and Changes in Accumulated Members' Equity** - This statement reflects the operating and nonoperating revenue and expenses for the previous two fiscal years. Operating revenue consists primarily of member contributions, with the major sources of operating expenses being claims and claims adjustment expenses, general and administrative expenses, and reinsurance costs. Nonoperating revenue consists primarily of investment income.

- **Statement of Cash Flows** - This statement is presented on the direct method of reporting and reflects cash flows from operating activities and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash equivalents for the fiscal year.

The Pool's accounting records are maintained on an accrual basis, which is in accordance with accounting principles generally accepted in the United States of America. Financial data is presented for both the current and prior fiscal year. Financial data is also compared to an annual budget adopted by the board of directors.

Additional Information - Notes to the Financial Statements

The notes provide additional information that is integral to a full understanding of the financial information presented in the financial statements. The notes to the financial statements begin on page 17.

Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplemental information regarding the Pool's 10-year claims development history. The determination of current member rates to cover the assumed risk of possible future loss occurrences is largely guided by claim development. Trends in claim development indicate whether losses are increasing, decreasing, or static. Required supplemental information is located on pages 29 and 30.

Comparative Statement of Accumulated Members' Equity

	December 31		
	2007	2006	2005
Assets			
Current assets:			
Cash and cash equivalents	$ 1,159,381	$ 966,336	$ 1,010,143
Investments, at market value	78,152,642	75,121,378	67,562,813
Accounts receivable	105,275	69,767	219
Premiums receivable	372,675	325,662	139,607
Claim deductibles receivable	617,606	461,971	517,673
Reinsurance receivables on paid claims	859,789	213,734	1,742,481
Accrued interest receivable	687,452	719,193	571,111
Prepaid lease	788,333	-	-
Other current assets	466,003	539,827	558,302
Total current assets	83,209,156	78,417,868	72,102,349
Noncurrent assets - Investment in NLC Mutual Insurance Company, at cost	1,600,594	1,600,594	1,600,594
Total assets	84,809,750	80,018,462	73,702,943
Liabilities			
Current liabilities:			
Net reserve for losses and loss adjustment expenses	5,435,978	5,041,235	3,778,773
Net reserve for incurred but not reported losses and loss adjustment expenses	8,648,576	9,570,404	9,060,006
Unearned member premiums - Net	8,919,791	8,693,458	9,711,834
Accounts payable	33,809	292,739	396,628
Total current liabilities	23,038,154	23,597,836	22,947,241
Noncurrent liabilities:			
Net reserve for losses and loss adjustment expenses - Net of current portion	8,482,897	7,521,302	6,733,712
Net reserve for incurred but not reported losses and loss adjustment expenses - Net of current portion	13,496,187	13,067,153	14,697,809
Total noncurrent liabilities	21,979,084	20,588,455	21,431,521
Total liabilities	45,017,238	44,186,291	44,378,762
Accumulated Members' Equity	**$39,792,512**	**$35,832,171**	**$29,324,181**

Operating Results and Changes in the Pool's Accumulated Members' Equity

	Years Ended December 31		
	2007	2006	2005
Operating Revenues			
Member premiums earned	$ 24,337,832	$ 25,923,952	$ 25,677,807
Less reinsurance premiums expense	(9,287,304)	(9,291,071)	(9,229,647)
Net member premium earned	15,050,528	16,632,881	16,448,160
Operating Expenses			
Losses and loss adjustment expense incurred, net of reinsurance	10,735,962	10,488,799	10,198,440
Service agent fee	4,361,439	4,375,804	4,359,146
Administrative expenses	329,097	307,525	282,485
Total operating expenses	15,426,498	15,172,128	14,840,071
Operating (Loss) Income	(375,970)	1,460,753	1,608,089
Nonoperating Income (Expense)			
Interest and dividends	3,856,752	3,564,664	2,895,925
Net increase (decrease) in the fair value of investments	458,320	1,451,912	(1,119,142)
Other income	21,239	30,661	45,752
Net nonoperating income	4,336,311	5,047,237	1,822,535
Increase in Accumulated Members' Equity	3,960,341	6,507,990	3,430,624
Accumulated Members' Equity			
Beginning of year	35,832,171	29,324,181	25,893,557
End of year	$ 39,792,512	$ 35,832,171	$ 29,324,181

In addition to accumulated members' equity, when assessing the overall health of the Pool, the reader needs to consider other nonfinancial factors such as the legal climate in the state of Michigan, the general state of the financial markets, and the level of risk prevention undertaken by the Pool and its members.

- The Pool's total assets have increased 15 percent over the past two years, from $73.7 million to $84.8 million. A significant component of the change in Pool assets was due to the increase in its investment portfolio.

- The investment portfolio consists of a variety of fixed income, equities, and real estate investment trusts. The fixed income securities, representing 85 percent of the portfolio, range from Treasury and Agency-type securities, AAA to BBB rated securities, to high yield corporate bonds.

- The average life of the fixed income securities is 2.4 years with an average duration of 2.2 years, yielding an average return of 4.8 percent.

- Pool equity investments, representing 15 percent of the portfolio, consist of funds invested in an equity fund and a real estate equity investment fund. The equity fund represents 13 percent of the total investment portfolio and is comprised of large, mid, and small cap value and growth stocks. The real estate equity investment fund represents 2 percent of the investment portfolio and is comprised of publicly traded real estate investment trusts and private real estate companies, both of which include higher quality companies with strong dividend growth potential.

- Reinsurance receivables on paid claims increased as a result of several payments on large claims during the year. The receivable represents amounts due from reinsurers for five liability and four property claims paid during 2007 and prior. The ending balance of $0.86 million is net of collections during the year of $1.3 million.

- Prepaid lease represents the Pool's payment to the League for use of common office space and facilities with the League's capitol office. The $0.8 million will be accounted for as a pre-payment for the Pool's usage of the space and will be amortized over a 40-year period, the term of the lease agreement, at an annual rate of $20,000.

- Total liabilities increased 1.4 percent since 2005, from $44.4 million to $45 million. Net reserves for losses and loss adjustment expenses increased 32 percent while net reserves for incurred but not reported losses decreased 7 percent. The 2007 year-end actuarial analysis reveals an overall improvement on prior years' reserves, resulting in an overall decrease in the incurred but not reported losses.

- Accumulated members' equity increased 36 percent, from $29.3 million in 2005 to $39.8 million in 2007. The increase in the Pool's financial position is a result of improved claim experience and positive investment results.

Capital Assets and Debt Administration

The Pool has no long-term debt. All material commitments and contingencies are disclosed in Note 6 on pages 26 and 27 of the financial statements. The Pool has no plans to encumber any debt or enter into additional commitments in the foreseeable future.

Member Premiums Earned

During 2007, the Pool provided insurance coverage to 394 members. Pool coverage includes general liability, police, errors and omissions, property, auto, crime, and inland marine. Written premiums are recognized as earned on a pro rata basis over the life of the policy term. Premiums written during 2007 totaled $23.4 million. For the year ended December 31, 2007, the Pool reported earned premiums of $24.3 million compared to $25.9 million and $25.7 million for the years ended December 31, 2006 and 2005, respectively. Variations in written premiums result from changes in member coverage limits and deductibles and changes in ratable exposures, including property values, vehicles, and police officers.

The Pool added 17 new members and lost 13 members during the 2007 calendar year. The net loss of written premium was approximately $768,000, generating a reduction of net earned premium of $354,000. Written premium levels are influenced by rate competition, member employment levels, and property values. No significant growth in Pool membership or premium is anticipated in the near future.

Reinsurance Premiums Expense

The Pool retains the first $500,000 of each casualty loss and $100,000 of each property loss. Reinsurance coverage is obtained to protect the Pool against losses in excess of the $500,000 casualty and $100,000 property retentions. Casualty reinsurers participated on various layers ranging from $500,000 up to $10,000,000. Participating casualty reinsurers in 2007 were Discover Reinsurance Company, Everest Reinsurance Company, Lloyds of London, and National League of Cities Mutual Insurance Company. Each company has been a long-time reinsurance partner of the Pool.

Property reinsurance is provided by Lexington Reinsurance Company for losses in excess of $100,000 up to $225,000,000. Boiler and machinery coverage is provided by the Hartford Steam Boiler Insurance Company for losses in excess of $100,000 up to $100,000,000.

Reinsurance premium expense also includes assessments to the Michigan Catastrophic Claims Association (MCCA) to protect the Pool against automobile no-fault losses in excess of $400,000 and $420,000 for policies issued or renewed during 2006-2007 and 2007-2008, respectively. Reinsurance premiums expense is reported at $9.3 million for 2007 and 2006 and $9.2 million for 2005. The reinsurance market has remained stable over the last three years. Rates applicable to the MCCA assessments have decreased from $141.70 to $137.33 to $123.15 per vehicle for years 2005-2006, 2006-2007, and 2007-2008, respectively.

Investment Income

The Pool's investment portfolio consists of fixed income and equity securities. Investment income includes interest and dividend income. The Pool earned $3.9 million in investment income, an 8 percent increase from 2006. For the year ended December 31, 2006, the Pool earned $3.6 million in investment income, 23 percent more than in 2005.

Net Increase (Decrease) in the Fair Market Value of Investments

The Pool experienced a net increase in the fair market value of investments of $0.5 million in 2007, compared to the net increase of $1.5 million in 2006 and a net decrease of $1.1 million in 2005. Investment market values increased due to the positive returns generated in both the fixed income and equity investment markets during 2007. The fixed income portfolio ended the year with a 6.5 percent overall return despite the negative performance in all financial sectors, excluding U.S. Treasuries, during the third and fourth quarters of the year. Lower and higher rated corporate bonds and agency bonds underperformed U.S. Treasuries on a total return basis during 2007. In contrast, fluctuations in interest rates and bond prices in the past two years generated fluctuations in the fair market values leading to unrealized gains reported for 2006 and unrealized losses reported for 2005.

Equity market values also increased over the past three years. The Pool's equity portfolio is divided between a passive equity index fund and a real estate investment mutual fund. Previously, the equity portfolio was managed to outperform the S&P 500 by means of positive security and industry selections. For the purpose of diversifying the Pool's domestic equity exposure among various capitalization levels, the stock portfolio was liquidated during the fourth quarter of 2006 and re-deployed to a passive equity market fund that represents a blend between growth and value stocks. Of the Pool's investment portfolio, 13 percent is now invested in this equity fund, which generated a 5 percent return during 2007.

Of the investment portfolio, 2 percent is invested in a real estate investment mutual fund that generated a negative return of 24 percent for the year 2007. Positive returns were recognized in prior years - 35 percent and 9 percent during 2006 and 2005, respectively. Fund assets are invested primarily into equity real estate investment trusts and in high-quality companies that are engaged in the real estate industry. Fund assets are not invested directly into real estate. This fund offers attractive diversification benefits as they are weakly correlated with the broad equity market. However, because of the liquidity crunch caused by the mortgage crisis, this fund's return was negatively impacted during 2007.

The returns generated from the Pool's fixed income, equity fund, and real estate investment fund resulted in a total portfolio return of 6.5 percent for the year 2007, compared to 6.2 percent for 2006.

Losses and Loss Adjustment Expenses Incurred, Net of Reinsurance

The Pool administers claims and pays for covered losses experienced by its members. All claims are processed and managed by a third-party administrator. Attorneys, medical experts, and other professionals are contracted on an as-needed basis. Between the time a claim is reported and the time it is resolved, reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred but are not yet known to the Pool and for reported claims that are expected to develop. These IBNR (incurred but not reported) reserves are recognized in the current year for claims that will either not be reported until future periods or will increase in severity. This process allows a matching of current year premium with estimated total losses that will be incurred as the result of the member's current year coverage.

Incurred losses and loss adjustment expenses represent payments and changes in reserves for the year. Loss and loss adjustment expenses were $10.7 million, $10.5 million, and $10.2 million for 2007, 2006, and 2005, respectively.

Incurred claims are slightly lower in 2007 compared to 2006 due to the payment of several large losses and reserve improvements in prior years. The change in case reserves continued to be favorably impacted by numerous case law decisions affecting virtually all aspects of governmental immunity law over the past five to seven years. In particular, the courts have significantly restricted the ability of litigants to pursue claims involving police pursuits, jail suicides, sidewalk slip and falls, and trespass nuisance claims against municipalities. As well, the legal standard with respect to claims against individual government employees has been severely restricted. Litigants must prove that the employee was both grossly negligent and the proximate cause of the injury or damages in order to successfully pursue a claim. Also, recent legislation and associated court decisions have limited the ability of plaintiffs to pursue sewer back-up claims, which were previously a significant and growing source of exposure to the Pool. Finally, coverage restrictions initiated by the Pool have eliminated its exposure to catastrophic class action lawsuits arising out of these claims.

Service Agent Fees

The Pool is sponsored and administered by the Michigan Municipal League as a service for League members and other public sector entities. The Pool has no employees. As such, the Pool contracts with the League and Meadowbrook Insurance Group (MIG) for most administrative services.

Service agent fees represent the service fees paid pursuant to the Michigan Municipal League and Meadowbrook Insurance Group contracts. The League contract provides for risk management and financial management services as well as facilities and equipment, at an annual minimum cost of $1,080,000. During 2007, the Pool agreed to pay the League $800,000 for use of common office space and facilities within the League's capitol office. The $800,000 payment will be accounted for as a pre-payment for the Pool's usage of the space and will be amortized over a 40-year period, the term of the lease agreement.

The MIG contract provides for marketing, underwriting, claims administration, and loss control risk services at an annual fee of $3,109,600. In addition, the Pool's contract with MIG provides for a profit-sharing payment equal to the lesser of 50 percent of the Pool's net underwriting gain or $250,000. In 2006, the Pool retained an independent consultant to evaluate the overall fees paid to MIG and services provided. The study determined that Pool expense payments to MIG were reasonable.

Service agent fees also include bank charges and investment management fees totaling $179,729 for 2007, a 16 percent decrease when compared to 2006. The bank and investment management fees reported for 2006 represented an 8 percent increase when compared to 2005.

Administrative Expenses

In providing coverage and other member services, the Pool incurs administrative expenses and contract service fees. All of these expenses are budgeted and monitored on a monthly basis for compliance with budgetary limits. The Pool's administrative expenses include actuarial, audit, and legal fees; board meetings and travel; information and technology services; rental fees; etc.

Administrative expenses of $329,097 for 2007 represent a 7 percent increase compared to 2006 and a 17 percent increase when compared to 2005. The Pool has experienced various expense variations for a number of accounts. Primarily, the majority of expense increases was relative to the financial audit, legal services, and property appraisal fees. The Pool engaged new auditors during the year. As a result, the timing difference of audit billings between each firm resulted in more audit fees recorded during 2007 compared to 2006. The transition of audit firms has actually led to a decrease in audit fees charged. Legal fees increased as a result of the Pool participating in amicus briefs with the League's legal department. Property appraisal fees increased as a result of more members requesting this service.

Prudent Management and Governing Board Oversight

The mission of the Pool is to be long term, stable, and cost-effective. The Pool is managed by a nine-member board of elected and appointed officials. The board meets quarterly to review operations and meets annually to conduct strategic planning and goal setting. An audit committee reviews the year-end financial statements and makes recommendations in regard to the full board of directors. The Pool is audited on a tri-annual basis by the Office of Financial and Insurance Regulation of the State of Michigan and files a Comprehensive Annual Financial Report.

Investment Risk

A significant portion of the Pool's annual net income is derived from its investments. Investments are professionally and independently managed, with quarterly reports provided to the governing board. Additionally, a professional investment advisory firm provides quarterly reports to the governing board, which independently reviews the investment manager's performance.

The deposits and investments of the Pool are exposed to risks that have the potential to result in losses. As such, there is the risk that the Pool will not earn expected returns and that investments may lose value. The Pool may be exposed to common deposit and investment risks that relate to credit risk, concentration of risk, interest rate risk, and foreign currency risk. In accordance with Governmental Accounting Standards Board (GASB) No. 40, *Deposit and Investment Risk Disclosures*, disclosures are presented in Note 2 on pages 20 through 24 of the audit report to inform readers about deposit and investment risks that could affect the Pool's ability to provide services and meet its obligations.

Risk of Inadequate Loss Reserves

With quarterly reserve reviews by an independent actuary and regular independent claim reviews, management considers the risk of using significant amounts of surplus to strengthen loss reserves to be low.

Reinsurance Costs

Reinsurance costs are subject to market fluctuations and losses worldwide over which the Pool has little control. The MCCA assessment, in particular, is one of these areas. However, given the Pool's loss experience, management expects Pool casualty reinsurance costs to remain relatively stable in the future.

Budgetary Highlights

Each year, the Pool adopts an annual operating budget for the current year. The budget is presented to the Pool's board of directors for final review and adoption. The board approves any interim amendments to the annual budget. The pool administrator prepares the budget and reviews expenditures on a monthly basis to assure compliance with the adopted budget.

	Budgeted	Actual	Variance Positive (Negative)
Member premiums earned	$ 24,837,500	$ 24,337,832	$ (499,668)
Less reinsurance premiums expense	(9,900,000)	(9,287,304)	(612,696)
Net member premiums earned	14,937,500	15,050,528	113,028
Investment income including increase in fair value of investments and other income	3,455,000	4,336,311	881,311
Total revenues	18,392,500	19,386,839	994,339
Expenses:			
Loss and loss adjustment expenses incurred - Net of reinsurance	11,500,000	10,735,962	(764,038)
Service agent, marketing, and risk control fees	4,377,600	4,361,439	(16,161)
Administrative expenses	397,500	329,097	(68,403)
Total expenses	16,275,100	15,426,498	(848,602)
Excess of revenues over expenses	$ 2,117,400	$ 3,960,341	$ 1,842,941

The following is an explanation of the significant variances of the budget to actual for 2007:

Earned premiums fell slightly short of the budget parameters due to the loss of several large members. The Pool gained 17 new members with written premiums totaling $296,896 and lost 13 members with written premiums totaling $1,065,314 during 2007. The Pool's member renewal rate is at 99 percent.

Reinsurance premiums were within budgeted parameters. The budget anticipated stable liability reinsurance rates, higher property reinsurance rates driven by catastrophe losses elsewhere in the U.S., and a decrease in MCCA assessments. Actual reinsurance premiums remained stable. The 2007-2008 MCCA assessment is based on a fee of $123.15, a 10 percent decrease over the 2006-2007 automobile fees.

Investment income, including changes in the fair market value of investments, exceeded the 2007 budget expectations. Investment income fluctuations are due to changes in market conditions and interest rates. The 2007 budget reflects an assumption that interest rates would decrease slightly, positively impacting the Pool's fixed income portfolio; 2007 ended up being a troublesome year impacted by the subprime mortgage crisis. All sectors within the fixed income market underperformed U.S. Treasuries. In contrast, the S&P 500 Index fell by 1.37 percent, dragged down by the financial sectors and consumer stocks exposed to the housing market. The Pool's fixed income and equity losses were cushioned by its U.S. Treasury holdings, resulting in an overall return of approximately 6 percent for the year

Losses and loss adjustment expenses, net of reinsurance, were lower than anticipated due to the continued impact of numerous favorable case law decisions affecting governmental immunity law, sewer back-up coverage restrictions, and IBNR reserve adjustments.

Service agent, marketing, and risk control fees were within the budgeted estimates.

Administrative expenses include various expenses such as legal fees, actuarial fees, loss control, information technology, and director expenses. The costs for most expenses were lower than anticipated in the budget.

Future Projects

No major initiatives or projects are planned.

Contacting the Pool's Management

The financial report is designed to provide our members, customers, and the general public with a general overview of the Pool's finances and to demonstrate the Pool's accountability for the money it receives. For more information about Michigan Municipal League Liability and Property Pool, visit our web-site at www.mml.org.

Michigan Municipal League Liability and Property Pool

Statement of Accumulated Members' Equity

	December 31 2007	December 31 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 1,159,381	$ 966,336
Fixed maturities at fair value (Note 2)	66,648,689	63,726,739
Equity securities at fair value (Note 2)	10,229,768	9,709,543
Real estate investment trust (Note 2)	1,274,185	1,685,096
Accounts receivable:		
Premiums	372,675	325,662
Claim deductibles	617,606	461,971
Reinsurance	859,789	213,734
Other	105,275	69,767
Accrued interest receivable	687,452	719,193
Prepaid expenses and other current assets:		
Prepaid lease (Note 6)	788,333	-
Other current assets	466,003	539,827
Total current assets	83,209,156	78,417,868
Noncurrent assets - Investment in NLC Mutual Insurance Company - At cost	1,600,594	1,600,594
Total assets	84,809,750	80,018,462
Liabilities		
Current liabilities:		
Net reserve for losses and loss adjustment expenses (Note 3)	5,435,978	5,041,235
Net reserve for incurred but not reported losses and loss adjustment expenses (Note 3)	8,648,576	9,570,404
Unearned member premiums - Net	8,919,791	8,693,458
Accounts payable	33,809	292,739
Total current liabilities	23,038,154	23,597,836
Noncurrent liabilities:		
Net reserve for losses and loss adjustment expenses - Net of current portion (Note 3)	8,482,897	7,521,302
Net reserve for incurred but not reported losses and loss adjustment expenses - Net of current portion (Note 3)	13,496,187	13,067,153
Total noncurrent liabilities	21,979,084	20,588,455
Total liabilities	45,017,238	44,186,291
Accumulated Members' Equity	**$ 39,792,512**	**$ 35,832,171**

Michigan Municipal League Liability and Property Pool

Statement of Revenue, Expenses, and Changes in Accumulated Members' Equity

	Years Ended December 31	
	2007	2006
Operating Revenue		
Member premiums	$ 24,337,832	$ 25,923,952
Less reinsurance premiums expense	(9,287,304)	(9,291,071)
Net member premiums earned	15,050,528	16,632,881
Operating Expenses		
Losses and loss adjustment expenses - Net of reinsurance	10,735,962	10,488,799
Service agent fees	4,361,439	4,375,804
Administrative expenses	329,097	307,525
Total operating expenses	15,426,498	15,172,128
Operating (Loss) Income	(375,970)	1,460,753
Nonoperating Income		
Interest and dividends	3,856,752	3,564,664
Net increase in the fair value of investments	458,320	1,451,912
Other income	21,239	30,661
Net nonoperating income	4,336,311	5,047,237
Increase in Accumulated Members' Equity	3,960,341	6,507,990
Accumulated Members' Equity - Beginning of year	35,832,171	29,324,181
Accumulated Members' Equity - End of year	$ 39,792,512	$ 35,832,171

See Notes to Financial Statements.

Michigan Municipal League Liability and Property Pool

Statement of Cash Flows

	Years Ended December 31 2007	2006
Cash Flows from Operating Activities		
Receipts from member premiums	$ 23,679,954	$ 24,957,994
Receipts from other income	31,741	(38,887)
Receipts from reinsurers	1,957,446	2,793,829
Receipts from claim deductibles	410,627	847,720
Payments on claims	(12,240,491)	(11,616,105)
Payments to reinsurers	(9,287,304)	(9,529,544)
Payments for expenses	(5,663,975)	(4,768,743)
Net cash (used in) provided by operating activities	(1,112,002)	2,646,264
Cash Flows from Investing Activities		
Receipts from interest income	3,856,752	3,416,582
Purchases of securities	(59,237,657)	(44,797,938)
Sales and maturities of securities	56,685,952	38,691,285
Net cash provided by (used in) investing activities	1,305,047	(2,690,071)
Net Increase (Decrease) in Cash and Cash Equivalents	193,045	(43,807)
Cash and Cash Equivalents - Beginning of year	966,336	1,010,143
Cash and Cash Equivalents - End of year	**$ 1,159,381**	**$ 966,336**
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities		
Operating (loss) income	$ (375,970)	$ 1,460,753
Adjustments to reconcile operating (loss) income to net cash from operating activities - Changes in assets and liabilities:		
Accrued interest income	31,741	30,661
Premiums receivable	(47,013)	(186,055)
Claim deductibles receivable	(155,635)	55,702
Reinsurance receivables on paid claims	(646,055)	1,528,747
Other accounts receivable	(35,508)	(69,548)
Prepaid expenses and other assets	(714,509)	18,475
Net reserve for losses and loss adjustment expenses	1,356,338	2,050,052
Net reserve for incurred but not reported loss and loss adjustment expense	(492,794)	(1,120,258)
Unearned member premiums - Net	226,333	(1,018,376)
Accounts payable	(258,930)	(103,889)
Net cash (used in) provided by operating activities	**$ (1,112,002)**	**$ 2,646,264**

See Notes to Financial Statements.

Note 1 - Nature of Entity and Significant Accounting Policies

Michigan Municipal League Liability and Property Pool (the "Pool") was established in 1982 under Public Act 138 of 1982, as amended by Public Act 36 of 1988, to develop and administer a group program of liability and property self-insurance for Michigan municipalities. The objectives of the Pool are to establish and administer a municipal risk management service, to reduce the incidence of property and casualty losses occurring in the operation of local governmental functions, and to defend members of the Pool against stated liability or loss.

Any city or village which is a member of the Michigan Municipal League (the "League") or any municipality of any city or village or any governmental entity which holds service associate status with the League is eligible to participate in the Pool. There are 394 members in the Pool at December 31, 2007.

Member premiums are combined to provide each member with coverage for liability and property claims. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credit toward future member premiums, as determined by the board of directors (the "board"). Dividend expenses and liabilities are recorded when a dividend has been approved by the board. Alternatively, the board may increase liability limits or offer additional services to the members.

The accompanying financial statements are presented using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

The Pool follows governmental accounting standards applicable to business-type activities and has elected to adopt statements or interpretations of the Financial Accounting Standards Board (FASB) that are issued after November 30, 1989 unless the Governmental Accounting Standards Board (GASB) specifically adopts pronouncements that conflict with or contradict such FASB statements or interpretations.

The Pool distinguishes operating revenue and expenses from nonoperating revenue and expenses. Operating revenue and expenses generally result from providing services in connection with the Pool's principal ongoing operations. The principal operating revenue and expenses of the Pool relate to premium revenue and claims and administrative expenses. Premium contributions received covering future contract periods are deferred and recognized over the related contract periods. Net investment earnings are reported as nonoperating revenue.

Cash and Cash Equivalents - Cash and cash equivalents include cash and all liquid securities with maturities of 90 days or less when purchased.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Investments - The Pool is invested primarily in fixed maturity securities and equity securities which are stated at fair value as determined by quoted market prices. All investment income, including changes in the fair value of investments, is recognized as revenue in the statement of revenue, expenses, and changes in accumulated members' equity.

Receivables - Receivables from members are stated at net invoice amounts. Receivables from reinsurers and for deductibles are computed based on the applicable treaty. Collectibility of balances is reviewed periodically. Any amounts deemed uncollectible are written off at that time. No allowance for bad debts has been recorded because management considers all receivables to be collectible.

Investment in NLC Mutual Insurance Company - NLC Mutual Insurance Company (NLC Mutual) is a captive insurance company formed by risk pools associated with certain state municipal leagues, including the Pool. The Pool invested in NLC Mutual in 1987 as a prerequisite for membership. The Pool accounts for its investment in NLC Mutual on the cost basis, as the Pool does not have the ability to exercise significant influence over NLC Mutual's operating and financial policies and the Pool's investment is less than 20 percent of NLC Mutual's total equity. The amount of NLC Mutual's equity owned by the Pool, based upon the Pool's ownership percentage, was approximately $2,300,000 at December 31, 2007 and 2006.

Unearned Member Premiums - Unearned member premiums represent premiums received in the current year for policies remaining effective into the next fiscal year.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Net Reserves for Losses and Loss Adjustment Expenses - The Pool establishes claims liabilities based on estimates of the ultimate cost of claims, including future allocated and unallocated claims adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of subrogation and reinsurance recoveries are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in estimating claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability. Claims liabilities are estimated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. The Pool retains a qualified, independent actuarial firm to perform an annual actuarial review of the risk retained by the Pool. Premium deficiency is defined as the amount by which expected claims costs (including IBNR) and all expected claims adjustment expenses exceed related unearned premiums. The Pool has determined that a premium deficiency does not exist. In making this determination, management has taken into consideration anticipated investment income. As claims are paid over a period of time, the Pool discounts its loss reserves to present value (as allowed by the State of Michigan Office of Financial and Insurance Services). The Pool utilized a 4 percent discount in both 2007 and 2006.

Member Premiums - Member premiums related to amounts to be expended for reinsurance coverage, claim payments, and certain administrative expenses are recognized as revenue in the year to which they apply. Member premiums are established at rates determined in accordance with rating guidelines authorized by the board of directors pursuant to the recommendation of the Pool's actuarial firm.

Federal Income Tax Status - The Pool is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. This law allows local governmental units to provide joint funding for risk management and self-insurance purposes and, as such, are not subject to federal income tax under Internal Revenue Code Section 115 of 1986.

Risk Management - The Pool is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Pool has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage since inception.

Note 1 - Nature of Entity and Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates related to allowances for unsettled claims and claims incurred but not reported are described in Note 3.

Note 2 - Investments

The board has adopted an investment policy that allows for specific investments that conform to the requirements of Public Act 55, Michigan State Law for Public Funds. In general, the Public Act allows investments in obligations issued, assumed, or guaranteed by a solvent entity created or existing under the laws of the United States or of any state, district, or territory of the United States, which are not in default as to principal or interest.

The Pool's investment policy further prohibits any transactions involving short sales, margin purchases, and the purchase of derivative securities and the securities of the investment manager's corporation. The investment policy also restricts the purchase of mortgage-backed securities, including collateralized mortgage obligations limited to 35 percent of the portfolio's fixed income securities market value. No unrated corporate securities are to be purchased. All fixed income securities, excluding U.S. government securities, are limited to 5 percent of the portfolio at the market value per issuer.

The Pool's investment policy allows for investments into equity-type securities. Investment allocation to the equity portfolio is defined in terms of the Pool's reserves and surplus. The reserve component is based on the number of undiscounted reserves expected to be paid after a period of 10 years. The surplus component is limited to 40 percent of the Pool's surplus, i.e., accumulated members' equity. The sum of the reserve and surplus components represents the maximum amount, at market value, of the Pool's equity investment.

The Pool's investments are held in the Pool's name. The Pool has designated Key Bank for the deposit of its investments.

Note 2 - Investments (Continued)

The Pool's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Pool's deposits may not be returned. The Pool does not have a deposit policy for custodial credit risk of its bank deposits. At December 31, 2007 and 2006, the Pool's deposit balance was $1,159,381 and $966,336, respectively. All uninvested cash balances are swept to zero at the end of each day and are invested into short-term investment vehicles. Balances invested into the short-term investment vehicles are not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency or government-sponsored agency of the federal government or of any state. As such, the cash and cash equivalent balance of $1,159,381 and $966,336 at December 31, 2007 and 2006, respectively, is uninsured and uncollateralized and, therefore, is exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Pool's investment policy does not restrict investment maturities. The Pool's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and limiting the average maturity in accordance with the Pool's cash requirements.

At December 31, 2007, the Pool had the following investments:

Investment Type (Key Bank Defined)	Market Value (Including Accruals)	Weighted Average Maturity Date	Years
U.S. government	$ 13,343,048	7/15/2011	3.07
U.S. government agencies	7,364,455	3/25/2012	4.26
Mortgage-backed securities	11,701,235	11/25/2009	1.94
Corporate bonds	34,239,951	5/10/2010	2.41
Munder Real Estate Equity Inv Fund	1,274,185	N/A	N/A
Common stock	10,229,768	N/A	N/A
Total fair value	$ 78,152,642		

Note 2 - Investments (Continued)

At December 31, 2006, the Pool had the following investments:

Investment Type (Key Bank Defined)	Market Value (Including Accruals)	Weighted Average Maturity Date	Years
U.S. government	$ 10,231,306	3/15/2009	2.23
U.S. government agencies	13,597,380	10/15/2009	2.84
Mortgage-backed securities	7,580,180	1/31/2009	2.02
Corporate bonds	32,317,873	3/31/2009	2.29
Munder Real Estate Equity Inv Fund	1,685,096	N/A	N/A
Common stock	9,709,543	N/A	N/A
Total fair value	$ 75,121,378		

Credit Risk

The Pool's fixed income investment portfolio consists of a variety of securities ranging from Treasury and Agency-type securities and AAA-rated securities to BBB-rated securities. The overall quality rating of the fixed income portfolio is equal to an AA-rated portfolio on a market value weighted basis. No unrated corporate securities are purchased.

At December 31, 2007, the credit quality rating of debt securities, without regard to investment type, is as follows:

Rating	Estimated Market Value	Quality Weightings
AAA	$ 18,879,640	27.84%
AA	8,316,146	12.26%
A	4,594,118	6.78%
BBB	7,879,444	11.62%
NR	28,138,722	41.50%
Total	$ 67,808,070	100.00%

Note 2 - Investments (Continued)

At December 31, 2006, the credit quality rating of debt securities, without regard to investment type, is as follows:

Rating	Estimated Market Value	Quality Weightings
AAA	$ 16,328,135	24.97%
AA	6,877,512	10.52%
A	8,230,905	12.59%
BBB	5,231,171	8.00%
NR	28,732,561	43.92%
Total	$ 65,400,284	100.00%

The rating organization used by the Pool to rate its investments is Standard and Poor's.

Concentration of Credit Risk

The following individual investment exceeded 5 percent of the Pool's total investments at December 31, 2007:

	2007	2006
United States Treasury, NTS 4.625 percent, due July 31, 2012	$ 5,460,000	$ -

There were no investments that individually exceed 5 percent of the Pool's total investments at December 31, 2006.

The objective of the Pool's investment policy is to generate a well diversified portfolio without any inappropriate credit concentrations. Other than direct obligations of the U.S. government, no individual issue can exceed 5 percent of the portfolio per the investment policy guidelines. This restriction reduces the Pool's exposure to the risk of credit concentration. The Pool's investments were in compliance with its stated investment policy regarding concentration at December 31, 2007 and 2006.

Note 2 - Investments (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The Pool's portfolio has no non-U.S. dollar investments, although such investments are not specifically prohibited by the investment policy. As such, the Pool is not subject to any foreign currency risk.

Note 3 - Net Reserves for Losses and Loss Adjustments Expenses

The Pool establishes reserves for both reported and unreported insured events; reserves include estimates for future payments of losses and related loss adjustment expenses. A summary of changes in net losses and loss adjustment expenses for the Pool for the years ended December 31, 2007 and 2006 is as follows (amounts are net of the effects of reinsurance):

	2007	2006
Net losses and loss adjustment expenses (undiscounted) - Beginning of fiscal year	$ 37,320,495	$ 36,519,201
Incurred losses and loss adjustment expenses:		
Provision for insured events of the current fiscal year	15,271,985	15,196,507
Change in provision for insured events of prior fiscal years	(4,536,025)	(4,707,708)
Total incurred losses and loss adjustment expenses	10,735,960	10,488,799
Payments - Net of reinsurance recoveries and member deductibles:		
Losses and loss adjustment expenses related to insured events of the current year	(2,473,502)	(2,375,950)
Losses and loss adjustment expenses related to insured events of prior fiscal years	(7,316,352)	(7,311,555)
Total payments	(9,789,854)	(9,687,505)
Net losses and loss adjustment expenses (undiscounted) - End of year	38,266,601	37,320,495
Discount of net losses and loss adjustment expenses	(2,202,963)	(2,120,401)
Net discounted losses and loss adjustment expenses - End of year	$ 36,063,638	$ 35,200,094

During 2007 and 2006, there were favorable developments in incurred loss and loss adjustment expenses related to prior accident years. These favorable developments primarily relate to the favorable resolution of certain litigated claims.

Note 4 - Reinsurance Agreements

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of claims from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The portion of claims covered by reinsurance is not reported as a liability, nor is the related recoverable from the reinsurer recorded as an asset. Accordingly, reserves have been reduced by approximately $380,000 and $1,330,000 at December 31, 2007 and 2006, respectively, for amounts recoverable from reinsurers.

The Pool has obtained specific excess reinsurance and aggregate excess reinsurance for liability and property coverages, a portion of which is contracted with NLC Mutual, a related party. The table below displays the amount of risk retained by the member, the Pool, and the reinsurers by policy type.

Policy	Member Responsibility	Pool Coverage	Reinsurance
Liability	$0 to $125,000 per occurrence; most members have zero deductible	Individual claims between members' responsibility and $500,000 plus an additional $1,000,000 aggregate reinsurance deductible	Individual claims in excess of the Pool's coverage up to $10 million per occurrence
Property	$1,000 to $50,000 deductible per occurrence; most members have $1,000 deductible	Individual claims up to $100,000 after the member deductible	Individual claims in excess of the Pool's coverage up to $225 million per occurrence
Property - Boiler and Machinery	$1,000 to $50,000 deductible per occurrence; most members have $1,000 deductible	Individual claims up to $100,000 after the member deductible	Individual claims in excess of the Pool's coverage up to $100 million per occurrence

In addition to the reinsurance described above, the Pool has aggregate loss coverage for liability claims beginning at $32,000,000. Total aggregate reinsurance coverage is limited to $500,000 per occurrence and $5,000,000 total.

Prepaid reinsurance premiums are netted against the related unearned member premiums. Prepaid premiums were approximately $2,100,000 and $3,000,000 at December 31, 2007 and 2006, respectively.

In the event a reinsurance company does not meet its obligation to the Pool, responsibility for payment of any unreimbursed claims will be paid by the Pool using funds contributed by members for this purpose.

Note 4 - Reinsurance Agreements (Continued)

The following tables summarize the net impact of reinsurance arrangements on member contributions and claims and claims adjustment expenses paid:

	2007	2006
Member contributions:		
Direct	$ 24,337,832	$ 25,923,952
Ceded	(9,287,304)	(9,291,071)
Net member contributions	$ 15,050,528	$ 16,632,881
Claims and claim adjustment expenses incurred	$ 12,693,408	$ 11,753,881
Reinsurance recoveries	(1,957,446)	(1,265,082)
Net claims and claim adjustment expenses incurred	$ 10,735,962	$ 10,488,799

Note 5 - Accumulated Members' Equity

At the discretion of the board of directors, accumulated members' equity may be returned to members in the form of dividends. No dividends were distributed to members during 2007 or 2006.

Note 6 - Commitment

The Michigan Municipal League provides certain administrative services to the Pool including administrative, risk management, data processing, staff travel, printing, and supplies. The Pool signed a new management agreement with the League effective January 1, 2007 through December 31, 2007. Under the agreement, which automatically renews for a one-year term on January 1 each year, the Pool will pay the League a flat rate of $1,080,000 for 2007 with an increase of the lesser of the U.S. Department of Labor Consumer Price Index or 5 percent for all subsequent years. Both parties have the option to pursue changes and/or cancellation of the agreement on January 1 of each year. Under the agreement in effect for the year ended December 31, 2006, the Pool would pay the League a fee equal to a specified percentage of earned premiums. Under this agreement, the minimum and maximum fees paid to the League for a calendar year were $800,000 and $850,000, respectively. Administrative fees expensed by the Pool were approximately $1,080,000 and $800,000 for 2007 and 2006, respectively.

Note 6 - Commitment (Continued)

In July 1996, the Pool entered into a lease agreement with the League; subject to which, the Pool prepaid $450,000 of rent ($383,020 present value of 3.0 percent discount rate) representing rent payments required through June 30, 2006. This prepayment was capitalized and was amortized on a straight-line basis through June 30, 2006.

In June 2007, the Pool entered into a new lease agreement with the League through 2047 for the use of common space and facilities within the League's capitol office. The Pool prepaid the total rent of $800,000, which will be amortized over the lease term. Total rent expense under the new agreement was $11,667 for the year ended December 31, 2007.

Required Supplemental Information

Michigan Municipal League Liability and Property Pool

Required Supplemental Information
Schedule of Claims Information for All Lines of Coverage

The table on the following page illustrates how the Pool's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the League as of the end of each of the last 10 years. The rows of the table are defined as follows:

(1) This line shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

(2) This line shows each fiscal year's other operating costs of the Pool, including overhead and claims expenses not allocable to individual claims.

(3) This line shows the Pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued), as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

(4) This section of 10 rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

(5) This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

(6) This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, re-evaluation of existing information on known claims, and emergence of new claims not previously known.

(7) This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought.

As data for individual policy years matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Michigan Municipal League Liability and Property Pool

Required Supplemental Information
Schedule of Claims Information for All Lines of Coverage (Continued)
(in thousands)

Fiscal Year Ended December 31	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Required contributions and investment revenue:										
Earned	$ 28,510	$ 26,251	$ 26,257	$ 24,965	$ 25,329	$ 27,828	$ 27,226	$ 27,501	$ 30,971	$ 28,674
Ceded	6,086	6,822	5,066	5,903	7,886	8,277	10,023	9,230	9,291	9,287
Net earned	22,424	19,429	21,191	19,062	17,443	19,551	17,203	18,271	21,680	19,387
Unallocated expenses	5,009	4,476	5,416	4,634	4,358	4,625	4,345	4,642	4,683	4,683
Policy Year Ended December 31										
Estimated incurred claims and expenses, end of policy year:										
Incurred	18,245	20,498	21,907	18,578	17,155	16,378	17,057	15,798	15,731	16,106
Ceded	818	1,105	862	278	1,388	126	999	-	534	834
Net incurred	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798	15,197	15,272
Net paid (cumulative) as of:										
End of policy year	2,774	3,002	3,842	2,754	2,438	2,167	2,498	2,263	2,376	2,474
One year later	5,316	5,739	7,162	4,987	4,243	4,321	4,881	4,234	4,547	-
Two years later	8,851	8,124	10,055	8,027	5,881	6,608	7,756	5,675	-	-
Three years later	11,394	9,639	12,156	10,416	7,081	8,197	10,178	-	-	-
Four years later	12,659	10,770	12,954	11,027	7,445	9,019	-	-	-	-
Five years later	13,212	11,186	13,125	11,226	7,665	-	-	-	-	-
Six years later	13,488	11,594	13,247	11,266	-	-	-	-	-	-
Seven years later	13,524	11,633	13,227	-	-	-	-	-	-	-
Eight years later	13,522	11,729	-	-	-	-	-	-	-	-
Nine years later	13,522	-	-	-	-	-	-	-	-	-
Re-estimated ceded claims and expenses	10,186	1,253	4,495	278	1,327	918	2,047	1,003	439	-
Re-estimated incurred claims and expenses:										
End of policy year	17,427	19,393	21,045	18,300	15,767	16,252	16,058	15,798	15,197	15,272
One year later	17,918	18,752	21,479	16,426	14,151	14,057	14,979	13,486	15,205	-
Two years later	16,859	15,747	17,542	15,182	11,977	11,582	14,044	11,449	-	-
Three years later	15,529	12,861	16,512	14,149	10,400	12,456	12,916	-	-	-
Four years later	14,906	12,382	15,133	12,693	9,384	11,884	-	-	-	-
Five years later	14,324	12,365	14,320	12,253	9,321	-	-	-	-	-
Six years later	13,823	12,023	13,590	11,744	-	-	-	-	-	-
Seven years later	13,655	11,930	13,477	-	-	-	-	-	-	-
Eight years later	13,522	11,920	-	-	-	-	-	-	-	-
Nine years later	13,522	-	-	-	-	-	-	-	-	-
Increase (decrease) in estimated incurred claims and expenses, end of policy year	(3,905)	(7,473)	(7,568)	(6,556)	(6,446)	(4,368)	(3,142)	(4,349)	8	-

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April 14, 2008

To the Audit Committee
Michigan Municipal League Liability
and Property Pool

We have audited the financial statements of Michigan Municipal League Liability and Property Pool (the "Pool") for the year ended December 31, 2007 and have issued our report thereon dated April 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 5, 2007, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Pool. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 17, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Pool are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007.

We noted no transactions entered into by the Pool during the year for which there is a lack of authoritative guidance or consensus

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the reserves for known claims and claims incurred but not reported (IBNR) and related recoverable amounts from reinsurers.

Management's estimate of IBNR is based on claim payment patterns, enrollment data, and other information and is determined in part by actuarial calculations. We evaluated the key factors and assumptions used to develop the estimate of IBNR in determining that it is reasonable in relation to the financial statements taken as a whole.

We noted that such reserves have historically been set more conservatively than ultimately required as loss periods reach maturity.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to net reserves for losses and loss adjustment expenses.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected financial statement misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter date April 14, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other.

This information is intended solely for the use of the audit committee and management of the Pool and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

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April 14, 2008

To the Board of Directors
Michigan Municipal League Liability
and Property Pool
1675 Green Road
P.O. Box 1487
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In planning and performing our audit of the financial statements of Michigan Municipal League Liability and Property Pool as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Pool's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

- We noted one invoice received subsequent to year end that should have been included in accounts payable totaling approximately $29,000. An adjusting entry was posted during the audit to correct for this item.

In conjunction with the implementation of new auditing standards for 2007, we assessed the information technology general controls in place for the Pool. We did identify certain areas where we believe procedures can be formalized or strengthened in order to meet best practices over IT general controls. We have communicated those items to management in a separate letter dated April 14, 2008.

This communication is intended solely for the information and use of management, the audit committee, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

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Terry Olejnik, CPA

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