



CITY COUNCIL AGENDA ITEM

Date: September 2, 2011

To: John Szerlag, City Manager

From: Susan Leirstein, Purchasing Director
Stephen Cooperrider, Risk Manager

Subject: Bid Waiver – Casualty and Property Insurance – Two (2) Year Renewal with the Michigan Municipal Risk Management Authority (MMRMA) for November 2011-2012 and November 2012-2013

Background

On Monday, April 18, 2011 City Council gave City management approval to negotiate a new agreement with the MMRMA (Council resolution #2011-04-085-J-5). City management is now in receipt of a negotiated two year renewal offer letter from the MMRMA (attachment #1).

The City has been a member of the MMRMA since 1990. The current agreement with the MMRMA expires November 8, 2011. The MMRMA provides insurance coverage to 51 governmental entities in Oakland County, and 334 entities statewide. A listing of the top ten Oakland County communities ranked by population that are MMRMA members is also included (attachment #2). The MMRMA has provided outstanding service and pricing to the City for the past 21 years, through a hard insurance market following the World Trade Center tragedy, and the fallout from Hurricane Katrina years. A review of other municipalities' insurance programs was conducted recently by the Risk Manager which showed the proposal by the MMRMA to be exceptional.

Finance and Service

The MMRMA financial strength is stable with program total assets of \$395,976,851 and net assets of \$241,886,109. The MMRMA provides the broadest available coverage, a reinsurance program that includes carriers with the highest financial ratings that are admitted to do business in Michigan. Reinsurers include; Travelers, Liberty Mutual, Lloyds of London, Markel, Munich RE, Scor RE, and Swiss RE. Other services provided by the MMRMA at no additional cost include: claims handling services, notary bonds, Oakland County Sheriff's bonds, loss control services, risk management counseling, educational seminars, RAP grants, etc. The MMRMA has recently provided a grant to the City of Troy for police in-car cameras in the amount of \$30,000.

City management's fiscal responsibility to City Council and our residents is best served by continuing the relationship with the MMRMA. The MMRMA broad coverage document provides the City with a property and casualty insurance portfolio that enhances all the City's goals and objectives, and continues to meet the City's changing needs.



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Costs

The premium cost for casualty and property insurance from the MMRMA for 2010-11 was \$323,816. In addition, the City received a net asset distribution check of \$72,205. *(The MMRMA began providing net asset distribution checks to its members in 2006-07. Checks are based on MMRMA return on investments, member longevity, claims experience, and member premiums.)* While the premium proposal for 2011-12 is \$333,347, the net asset distribution check to be received upon renewal is \$136,855. The net decrease to the City in the first year of the agreement would be 21.9%. The second year of the agreement includes a not to exceed 5% premium increase, or maximum premium of \$350,014. It should be noted that the MMRMA will most likely provide another net asset distribution check for the 2012-13 renewal based on discussions during negotiations, and dependent upon those items listed above.

Recommendation

It is City management's recommendation that City Council approve the two year renewal of the City's casualty and property insurance coverage with the MMRMA for a premium cost in fiscal year 2011-12 of \$333,347, and a second year premium cost in fiscal year 2012-13 not to exceed \$350,014, depending on exposures. This agreement would include the continued maintenance of a positive loss fund balance of up to \$150,000.

500 W. Big Beaver
Troy, MI 48084
(248) 524-3300

The City of Tomorrow...



...Today

**CITY OF TROY
OAKLAND COUNTY, MICHIGAN
RESOLUTION**

At a Regular meeting of the Troy City Council held on Monday, April 18, 2011, the following Resolution was passed:

J-5 Casualty and Property Insurance Renewal – Request to Negotiate with the Michigan Municipal Risk Management Authority (MMRMA)

Resolution #2011-04-085-J-5

RESOLVED, That the Troy City Council hereby **AUTHORIZES** the City Manager to negotiate a new agreement with the Michigan Municipal Risk Management Authority (MMRMA) for the Casualty and Property Insurance needs of the City of Troy.

I, M. Aileen Bittner, duly appointed Acting City Clerk of the City of Troy; do hereby certify that the foregoing constitutes a true and complete copy of a resolution adopted by the Troy City Council at a Regular Meeting duly called and held on Monday, the Eighteenth day of April, 2011.

A handwritten signature in black ink that reads "M. Aileen Bittner". The signature is written in a cursive style.

M. Aileen Bittner
Acting City Clerk



MICHIGAN MUNICIPAL
RISK MANAGEMENT
AUTHORITY

July 12, 2011

Stephen Cooperrider, Risk Manager
City of Troy
500 West Big Beaver Road
Troy, MI 48084

Dear Stephen,

The City of Troy and Michigan Municipal Risk Management Authority have shared an excellent working relationship for the past 21 years. As you know, we are a member-run organization whose Board of Directors is elected from the membership that make decisions for the good of the entire membership, this year the Board has decided to return \$19,000,000 of its net assets back to the membership. This year I am happy to say that the City of Troy will be receiving \$136,855. This will bring the total return of assets the City has received to \$390,965. Your longevity and continuous years of MMRMA Membership play a large part in your return, along with your claim experience and contributions.

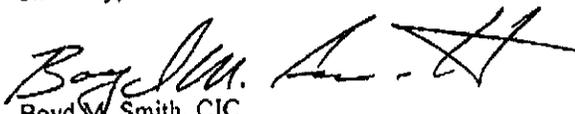
MMRMA sets aside \$750,000 in grant funding each year for its Risk Avoidance Program (RAP) to help members develop and implement projects with high potential for solving risk management problems. Not to my knowledge does any other insurance company or municipal pool in the state of Michigan set aside grant money for its members to help educate and prevent liability losses. The City of Troy has participated in funding for police TASERS, education, training, and the recent RAP grant approved for \$30,000 for police in-car cameras will bring the total funds awarded to \$47,862. Along with our grant money our risk control services is provided to Members at no additional charge. We provide onsite inspections, surveys, review of policies and procedures, employee training, educational material and individual assistance for member's special risk exposures.

This year I am pleased that we can offer the City of Troy a renewal with a slight increase in pricing \$333,347 (just under 3%). Also, I am happy to say we are able to offer the City of Troy an extended contract for a second year 2012, with an increase not to exceed 5%.

MMRMA is a Michigan company, we provide insurance and risk management services for Michigan governmental entities only. We work, live and spend our money in the State of Michigan. I consider the City of Troy a valued Member and again I will do everything in my power to earn and keep the excellent relationship we have with the City.

Please, if at any time you have questions or concerns, do not hesitate to call on me.

Sincerely,


Boyd M. Smith, CIC
MMRMA Risk Manager

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MICHAEL L. RHYMER, Executive Director

ATTACHMENT #2

Listing of the top ten Oakland County communities ranked by population that are MMRMA members.

<u>COMMUNITY</u>	<u>DATE JOINED MMRMA</u>
City of Troy	November 9, 1990
City of Farmington Hills	June 10, 1985
City of Southfield	September 1, 1985
Waterford Township	December 15, 1983
City of Rochester Hills	July 27, 1985
City of Pontiac	July 1, 1985
West Bloomfield Township	July 27, 1985
City of Royal Oak	May 31, 1985
Bloomfield Township	August 20, 1997
City of Madison Heights	July 1, 1986