

## CITY COUNCIL ACTION REPORT

September 5, 2007

TO: Phillip L. Nelson, City Manager

FROM: John M. Lamerato, Assistant City Manager/Finance & Administration  
James A. Nash, Financial Services Director  
Stephen Cooperrider, Risk Manager *sc*

SUBJECT: Agenda Item --- Bid Waiver — Casualty and Property Insurance --- Two (2) Year Renewal with the Michigan Municipal Risk Management Authority (MMRMA) for November 2007-08 and November 2008-09

### Background:

- The City is in receipt of a negotiated two year renewal offer letter from the MMRMA. (*attached*)
- On Monday, May 14, 2007 City Council gave City Management approval to negotiate a new agreement with the MMRMA. (*Council resolution #2007-05-142-E-10*)
- The City has been a member of the MMRMA since 1990.
- The current agreement with the MMRMA expires November 8, 2007.
- Attached is a history of insurance premiums paid for casualty and property insurance since 1988-1989.
- The MMRMA has previously submitted a successful competitive bid on four separate occasions since 1990.
- The MMRMA has provided outstanding service and pricing to the City for the past 17 years, including through a difficult hard insurance market following the World Trade Center tragedy.
- The MMRMA provides insurance coverage to 43 governmental entities in Oakland County, and 327 entities Statewide. (*The Top Ten Oakland County communities ranked by population that are MMRMA members is attached.*)
- A survey of other municipalities' insurance programs was conducted recently by the Risk Management Department which showed the proposal by the MMRMA to be exceptional.

### Financial Considerations:

- The cost for casualty and property insurance from the MMRMA for 2006-07 was \$310,259.
- The MMRMA is proposing a two year agreement (November 2007 – November 2009) with the City at a first year cost of \$310,567, an increase of \$308. With the second year increase not to exceed 3% or \$319,884, based on exposures.

- In addition, if the City renews with the MMRMA, the City will receive a return on net assets check in the amount of \$44,683.
- MMRMA financial strength (program assets of \$351,689,443 and a fund balance of \$177,020,784), the broadest available coverage, a reinsurance program that includes carriers with the highest financial ratings that are admitted to do business in the State of Michigan.
- 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, etc.

Policy Considerations:

- City Management's fiscal responsibility to City Council and our residents is best served by continuing the relationship with the MMRMA. (Goal #2)
- The MMRMA broad coverage document provides the City with a property and casualty insurance portfolio that enhances all of the City's goals and objectives, and continues to meet the City's changing needs.

Options:

- 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 cost in fiscal year 2007-08 of \$310,567, and a second year cost in fiscal year 2008-09 not to exceed \$319,884, depending on exposures. In addition, the City would receive a return on net assets check from the MMRMA in the amount of \$44,683 after renewal. This agreement would include the continued maintenance of a positive loss fund balance of up to \$150,000.

**RISK**

Michigan Municipal  
**MANAGEMENT  
AUTHORITY**

August 29, 2007

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

**RE: MMRMA Renewal – 2007/2008 and 2008/2009**

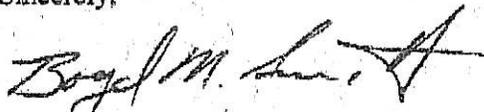
Dear Steve,

I am happy to present you with your 2007/2008 and 2008/2009 insurance renewal.

You received a \$308.00 increase for your 2007/2008 renewal and I was able to negotiate a two-year contract with a maximum 3% increase based on exposures. Once your policy has been renewed, you will receive a return on net assets in the amount of \$44,683. I will need to know how the City of Troy would like to have this money distributed. You may decide to have the funds deposited into the City's Self Insured Retention (SIR) or have a check sent directly to the City.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Boyd M. Smith, CIC  
Risk Manager

8/30/2007

## INSURANCE PREMIUM HISTORY

POLICY YEAR	INSURER	PREMIUM CASUALTY AND PROPERTY	SELF-INSURED RETENTION	LIMITS	LOSS FUND CONTRIBUTION
1988/89	Corroon and Black	\$866,048	Varied by coverage	Varied by coverage	Not Applicable
1989/90	Note: C&B put on notice that we were comparing a quote from the MML. Corroon and Black	\$729,286	Varied by coverage	Varied by coverage	Not Applicable
1990/91	Note: RFP from C&B, MML, and MMRMA. MMRMA	\$495,599	\$100,000	\$10 mil	\$50,000
1991/92	Note: RFP from C&B, MML, and MMRMA. MMRMA	\$519,586	\$100,000	\$10 mil	\$50,000
1992/93	NOTE: RFP from MML and MMRMA. (C&B declined to bid) MMRMA	\$467,300	\$150,000	\$10 mil	\$50,000
1993/94	NOTE: RFP for 3 year contract from MML, MMRMA, Johnson & Higgins, and Sedgwick James MMRMA	\$296,804	\$250,000	\$10 mil	\$55,615
1994/95	MMRMA	\$314,767	\$250,000	\$10 mil	\$60,921
1995/96	MMRMA	\$329,818	\$250,000	\$10 mil	\$89,132
1996/97	NOTE: RFP for 3 year contract from Lademan & Youd, MMRMA, MI Community Underwriters, Ralph Wilson Agency, and Gallagher Abow. (MML, Willis Corroon, and Sedgwick James declined to bid.) MMRMA	\$294,391	\$250,000	\$10 mil	\$73,000
1997/98	MMRMA NOTE: Limits automatically increased during year at no cost.	\$292,874	\$250,000	\$10 mil \$15 mil	\$73,000
1998/99	MMRMA	\$291,761	\$250,000	\$15 mil	\$0
1999/00	NOTE: Negotiated new three year agreement with the MMRMA. MMRMA	\$262,585	\$250,000	\$15 mil	Not requested by MMRMA
2000/01	MMRMA	\$269,829	\$250,000	\$15 mil	Not requested by MMRMA
2001/02	MMRMA	\$277,297	\$250,000	\$15 mil	Not requested by MMRMA
2002/03	NOTE: Negotiated a new two year agreement with MMRMA. MMRMA	\$282,096	\$500,000	\$15 mil	\$118,640
2003/04	MMRMA	\$282,096	\$500,000	\$15 mil	\$30,800
2004/05	NOTE: Negotiated a new one year agreement with the MMRMA. MMRMA	\$293,685	\$500,000	\$15 mil	\$150,000
2005/06	NOTE: Negotiated a new one year agreement with option to renew with the MMRMA. MMRMA	\$299,563	\$500,000	\$15 mil	\$143,725
2006/07	MMRMA	\$310,259	\$500,000	\$15 mil	Not requested by MMRMA

ATTACHMENT #4:

Listing of the Top Ten Oakland County communities ranked by population that are MMRMA members.

<u>COMMUNITY</u>	<u>DATE JOINED</u> <u>MMRMA</u>
City of Southfield	September 1, 1985
City of Farmington Hills	June 10, 1985
City of Troy	November 8, 1990
City of Pontiac	July 1, 1985
Waterford Township	December 15, 1983
City of Royal Oak	May 31, 1985
City of Rochester Hills	July 27, 1985
Bloomfield Township	August 20, 1997
West Bloomfield Township	July 27, 1985
City of Madison Heights	July 1, 1986