



CITY COUNCIL AGENDA ITEM

Date: October 21, 2015

To: Members of the Troy City Council

From: Brian Kischnick, City Manager
Lori Grigg Bluhm, City Attorney
Tom Darling, Director of Financial Services
MaryBeth Murz, Purchasing Manager

Subject: Casualty and Property Insurance- Three (3) Year Renewal with Michigan Municipal Risk Management Authority (MMRMA)

History

The City of Troy has received its property and casualty insurance coverage from the Michigan Municipal Risk Management Authority (MMRMA) since 1990. Since 1990 the City has competitively bid property and liability insurance on four separate occasions; and MMRMA was the successful respondent. The current agreement with MMRMA expires on November 7, 2015, and City Administration has therefore negotiated the attached three year renewal proposal, which would be effective until November 2018.

MMRMRA competitively provides risk pool insurance coverage for 51 other governmental entities in Oakland County, and 334 governmental entities statewide. MMRMA also provides Risk Avoidance Program (RAP) Grants to municipalities, and the City has received \$92,858 under this program since 2005. MMRMA provides claims handling service, notary bonds, loss control services, risk management counseling, and educational seminars at no additional cost which is an invaluable asset to the City. Additionally, since MMRMA is a risk pool, what would be a profit share for commercial insurers is money that is returned to the municipalities as a net asset distribution.

The City's net asset distribution will be \$400,440 for the 2014-2015 year, and also the City has received a grand total net asset distribution of \$1,573,666 since the program initiation in 2006. This is a significant offset to the \$521,684 contribution cost for 2015-2016. This year's contribution cost represents a 1.5% increase over last year. Current market survey indicates a 2-3% contribution rate increase in the market.

The three (3) renewal proposal limits the combined lines of coverage. For the second year of the agreement, the combined lines of coverage rate level may increase; but not more than 2%. For the third year of the agreement, the combined lines of coverage rate level will not increase.



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Based on the excellent working relationship with the City and the competitiveness of the MMRMA proposal, City Administration did not pursue the competitive bid process, which is not required for professional services. It is in the best interest of the City to waive the bid process and renew the three (3) year agreement with MMRMA. Note that the current contract with MMRMA can be terminated with a 90-day written notice and administration will continue to monitor the market.

Recommendation

Administration recommends approval of a three year renewal with MMRMA, as detailed in the attached proposal.

MICHIGAN MUNICIPAL RISK MANAGEMENT AUTHORITY COVERAGE PROPOSAL

Member:	City of Troy	Proposal No: Q000001928
Date of Original Membership:	November 8, 1990	
Proposal Effective Dates:	November 08, 2015 To November 08, 2016	
Member Representative:	Lori Bluhm	Telephone #: (248) 524-3323
Regional Risk Manager:	Michigan Municipal Risk Management Authority	Telephone #: (734) 513-0300

A. Introduction

The Michigan Municipal Risk Management Authority (hereinafter "MMRMA") is created by authority granted by the laws of the State of Michigan to provide risk financing and risk management services to eligible Michigan local governments. MMRMA is a separate legal and administrative entity as permitted by Michigan laws. **City of Troy** (hereinafter "Member") is eligible to be a Member of MMRMA. **City of Troy** agrees to be a Member of MMRMA and to avail itself of the benefits of membership.

City of Troy is aware of and agrees that it will be bound by all of the provisions of the Joint Powers Agreement, Coverage Documents, MMRMA rules, regulations, and administrative procedures.

This Coverage Proposal summarizes certain obligations of MMRMA and the Member. Except for specific coverage limits, attached addenda, and the Member's Self Insured Retention (SIR) and deductibles contained in this Coverage Proposal, the provisions of the Joint Powers Agreement, Coverage Documents, reinsurance agreements, MMRMA rules, regulations, and administrative procedures shall prevail in any dispute. The Member agrees that any dispute between the Member and MMRMA will be resolved in the manner stated in the Joint Powers Agreement and MMRMA rules.

B. Member Obligation - Deductibles and Self Insured Retentions

City of Troy is responsible to pay all costs, including damages, indemnification, and allocated loss adjustment expenses for each occurrence that is within the Member's Self Insured Retention (hereinafter the "SIR"). **City of Troy's** SIR and deductibles are as follows:

Table I
Member Deductibles and Self Insured Retentions

COVERAGE	DEDUCTIBLE	SELF INSURED RETENTION
Liability	N/A	\$500,000 Per Occurrence
Vehicle Physical Damage	\$1,000 Per Vehicle	\$15,000 Per Vehicle \$30,000 Per Occurrence
Fire/EMS Replacement Cost	\$1,000 Per Occurrence	N/A
Property and Crime	\$1,000 Per Occurrence	N/A
Sewage System Overflow	N/A	\$500,000 Per Occurrence

The member must satisfy all deductibles before any payments are made from the Member's SIR or by MMRMA.

The **City of Troy** is afforded all coverages provided by MMRMA, except as listed below:

- 1.
- 2.
- 3.
- 4.

All costs including damages and allocated loss adjustment expenses are on an occurrence basis and must be paid first from the Member's SIR. The Member's SIR and deductibles must be satisfied fully before MMRMA will be responsible for any payments. The most MMRMA will pay is the difference between the Member's SIR and the Limits of Coverage stated in the Coverage Overview.

City of Troy agrees to maintain the Required Minimum Balance as defined in the Member Financial Responsibilities section of the MMRMA Governance Manual. The Member agrees to abide by all MMRMA rules, regulations, and administrative procedures pertaining to the Member's SIR.

C. MMRMA Obligations - Payments and Limits of Coverage

After the Member's SIR and deductibles have been satisfied, MMRMA will be responsible for paying all remaining costs, including damages, indemnification, and allocated loss adjustment expenses to the Limits of Coverage stated in Table II. The Limits of Coverage include the Member's SIR payments.

The most MMRMA will pay, under any circumstances, which includes payments from the Member's SIR, per occurrence, is shown in the Limits of Coverage column in Table II. The Limits of Coverage includes allocated loss adjustment expenses.

Table II
Limits of Coverage

Liability and Motor Vehicle Physical Damage	Limits of Coverage Per Occurrence		Annual Aggregate	
	Member	All Members	Member	All Members
1 Liability	15,000,000	N/A	N/A	N/A
2 Judicial Tenure	N/A	N/A	N/A	N/A
3 Sewage System Overflows	1,000,000	N/A	1,000,000	N/A
4 Volunteer Medical Payments	25,000	N/A	N/A	N/A
5 First Aid	2,000	N/A	N/A	N/A
6 Vehicle Physical Damage	1,500,000	N/A	N/A	N/A
7 Uninsured/Underinsured Motorist Coverage (per person)	100,000	N/A	N/A	N/A
Uninsured/Underinsured Motorist Coverage (per occurrence)	250,000	N/A	N/A	N/A
8 Michigan No-Fault	Per Statute	N/A	N/A	N/A
9 Terrorism	5,000,000	N/A	N/A	5,000,000

Property and Crime	Limits of Coverage Per Occurrence		Annual Aggregate	
	Member	All Members	Member	All Members
1 Buildings and Personal Property	109,243,747	350,000,000	N/A	N/A
2 Personal Property in Transit	2,000,000	N/A	N/A	N/A
3 Unreported Property	5,000,000	N/A	N/A	N/A
4 Member's Newly Acquired or Constructed Property	5,000,000	N/A	N/A	N/A
5 Fine Arts	2,000,000	N/A	N/A	N/A
6 Debris Removal (25% of Insured direct loss plus)	25,000	N/A	N/A	N/A
7 Money and Securities	1,000,000	N/A	N/A	N/A
8 Accounts Receivable	2,000,000	N/A	N/A	N/A
9 Fire Protection Vehicles, Emergency Vehicles, and Mobile Equipment (Per Unit)	2,000,000	10,000,000	N/A	N/A
10 Fire and Emergency Vehicle Rental (12 week limit)	1,000 per week	N/A	N/A	N/A
11 Structures Other Than a Building	5,000,000	N/A	N/A	N/A
12 Storm or Sanitary Sewer Back-Up	1,000,000	N/A	N/A	N/A
13 Marine Property	1,000,000	N/A	N/A	N/A
14 Other Covered Property	10,000	N/A	N/A	N/A
15 Income and Extra Expense	5,000,000	N/A	N/A	N/A
16 Blanket Employee Fidelity	1,000,000	N/A	N/A	N/A
17 Faithful Performance	Per Statute	N/A	N/A	N/A
18 Earthquake	5,000,000	N/A	5,000,000	100,000,000
19 Flood	5,000,000	N/A	5,000,000	100,000,000
20 Terrorism	50,000,000	50,000,000	N/A	N/A

TABLE III

Data Breach and Privacy Liability, Data Breach Loss to Member, Electronic Media Liability, and Breach Mitigation Expense Coverage

Limits of Coverage

Retroactive Dates:

For Coverage A -- Data Breach and Privacy Liability Coverage: 07/01/2013

For Coverage C -- Electronic Media Liability Coverage: 07/01/2013

Data Breach and Privacy Liability, Data Breach Loss to Member, Electronic Media Liability, and Breach Mitigation Expense	Limits of Coverage Per Occurrence/Claim	Annual Aggregate	
	Member	Member	All Members
Coverage A -- Data Breach and Privacy Liability Coverage: Each Claim:	\$1,000,000 Included in the limit above	\$1,000,000	\$15,000,000
Coverage B -- Data Breach Loss to Member Coverage: Each Unauthorized Access:	Included in the limit above		
Coverage C -- Electronic Media Liability Coverage: Each Claim:	Included in the limit above		
Coverage D -- Breach Mitigation Expense Coverage: Each Unintentional Data Compromise:	Included in the limit above		

The total liability of MMRMA shall not exceed \$1,000,000 per Member aggregate Limit of Liability for coverages A, B, C, and D, in any coverage period.

The total liability of MMRMA shall not exceed \$15,000,000 for All Members aggregate Limit of Liability for coverages A, B, C, and D, from July 1, 2015, to June 30, 2016.

TABLE IV

Data Breach and Privacy Liability, Data Breach Loss to Member, Electronic Media Liability, and Breach Mitigation Expense Coverage

Deductibles

Data Breach and Privacy Liability, Data Breach Loss to Member, Electronic Media Liability, and Breach Mitigation Expense	Deductible Per Occurrence/Claim
	Member
Coverage A -- Data Breach and Privacy Liability Coverage: Each Claim:	\$25,000
Coverage B -- Data Breach Loss to Member Coverage: Each Unauthorized Access:	\$25,000
Coverage C -- Electronic Media Liability Coverage: Each Claim:	\$25,000
Coverage D -- Breach Mitigation Expense Coverage: Each Unintentional Data Compromise:	\$25,000

D. Contribution for MMRMA Participation

City of Troy

Period: November 08,
2015

To November 08, 2016

Coverages per Member Coverage Overview:	\$471,351
Stop Loss Coverage:	\$25,333
Member Loss Fund Deposit:	\$25,000
TOTAL ANNUAL CONTRIBUTIONS:	\$521,684

E. List of Addenda

1. Employer's Liability Coverage Extension
2. Stop Loss Program Participation Agreement
3. Uninsured/Underinsured Motorists Coverage Extension

This document is for the purpose of quotation only and does not bind coverage in the Michigan Municipal Risk Management Authority, unless accepted and signed by both the authorized Member Representative and MMRMA Representative below.

Accepted By:

Proposal No:

City of Troy

Q000001928

MMRMA

Member Representative



MMRMA Representative

Date

10-19-2015

Date

ADDENDUM

**STOP LOSS PROGRAM
PARTICIPATION AGREEMENT**

Optional

The Stop Loss Program limits the Member's cash payments during a July 1 - June 30 year for those costs falling within the Member's SIR. The Stop Loss Program responds only to cumulative Member SIR payments, including damages, indemnification, and allocated loss adjustment expenses, within a July 1 - June 30 calendar year. The paid costs include payments for any coverage provided to the Member by MMRMA provided that the costs are actually paid within the July 1 - June 30 period. On July 1 of each year, the Member's paid costs accumulate from zero.

If the Member has chosen to participate in the Stop Loss Program, and if the Member's paid costs exceed the member's entry point, the Stop Loss Program will pay, until July 1, all costs that would, in the absence of the Stop Loss Program, be paid from the Member's SIR. **City of Troy's** entry point is **\$1,000,000**. Withdrawing Members do not participate in the Stop Loss Program after the date of withdrawal.

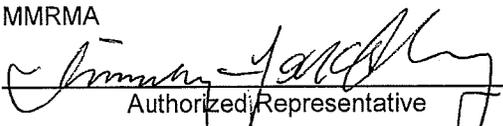
The Member agrees to be bound by MMRMA rules relating to the Stop Loss Program.

Accepted by:

Member Representative

Date: _____

MMRMA



Authorized Representative

Date: 10-19-2015

**Employer's Liability Coverage Extension
to the
Liability and Vehicle Physical Damage
Coverage Document**

It is agreed that Exclusion 1 of the Liability and Vehicle Physical Damage Coverage Document is deleted, and coverage is extended hereby for occurrences of bodily injury by accident to, or sickness, disease or death of, an employee or volunteer worker of the Member, arising out of and in the course of such employment or work, subject to the following:

- . Bodily injury by accident, including resulting death, must be caused or aggravated by the conditions of employment by or volunteer work for the Member, and the last day of last exposure to the conditions causing or aggravating the disease or sickness must occur during the period of Membership;

- . This coverage does not apply to:
 - A. punitive or exemplary damages because of bodily injury to, or sickness or disease, or resultant death, of an employee employed, or of a volunteer worker whose volunteer work was solicited or accepted, in violation of law;
 - B. bodily injury to, or sickness or disease, or resultant death of, an employee or volunteer worker whose employment or volunteer work was accepted in violation of law with the actual knowledge of any of the elected or appointed officials, or officers, or members of the governing body of the Member;
 - C. any obligation imposed by a workers' compensation, occupational disease, unemployment compensation, or disability benefits law, or any similar law;
 - D. bodily injury, sickness, or disease intentionally caused or aggravated by the Member, including death resulting therefrom. In the application of coverage with respect hereto, the act of one or more persons committing such act shall not be imputed to any other person(s) or entity(ies) not having knowingly and with intent, committed, permitted or authorized such act;

4. As used within this Coverage Extension:

- A. a sickness or disease is not bodily injury by accident unless it results directly from bodily injury by accident;
- B. sickness or disease does not include sickness or disease that results directly from a bodily injury by accident;

5. The coverage afforded hereby shall apply excess over, and shall not contribute with, any other insurance or coverage available to and collectible by the Member, whether such other insurance or coverage be primary, contributing, or itself excess;

6. As a condition of this coverage, the Member warrants it will maintain in full force and effect underlying primary, or a combination of underlying primary and excess, other coverage commensurate to this coverage (over which this coverage will then apply per Item 5 hereof), in the following minimum and collectible limits of liability, and in providers thereof acceptable to the Authority, else this coverage be void:

For Bodily Injury by Accident	\$100,000 Each Accident
For Disease or Sickness	\$500,000 Policy Limit
For Disease or Sickness	\$100,000 Each Employee

7. The limits of liability for the Authority obligation under this coverage, excess of those set forth in 6 foregoing, and excess of Member obligation, are as follows, and the Coverage Overview is amended with respect hereto, accordingly:

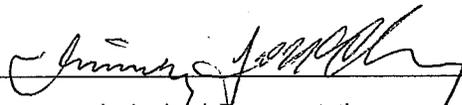
For Bodily Injury by Accident	\$500,000 Each Occurrence
For Disease or Sickness	\$500,000 Each Occurrence
For Disease or Sickness	\$500,000 Aggregate for Each Year of Membership

8. This addendum is subject otherwise to all terms, conditions, exclusions, and limitations of the Liability and Physical Damage Coverage Document and other amendments thereto not modified by this Extension.

9. This extension is effective: November 08, 2015

10. Member Name: City of Troy

Michigan Municipal Risk Management Authority

By: 
Authorized Representative

Date Issued: October 16, 2015

Uninsured/Underinsured Motorists Coverage Extension
to the
Liability and Vehicle Physical Damage Coverage Document

This coverage extends to pay all sums to which a Member as defined is legally entitled as damages from the owner or driver of an uninsured or underinsured motor vehicle, resulting from bodily injury, sickness or disease sustained by the Member and caused by an occurrence, subject, however, to the following:

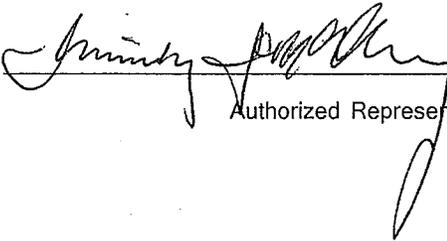
- . A. The owner's or driver's liability for these damages must result from the ownership, maintenance or use of the uninsured or underinsured motor vehicle;
- . B. Any judgment for damages arising out of a suit brought, or claim settled, without the written consent of the Authority is not binding on the Authority, and in the event of such judgment or settlement, this coverage does not apply;
- . C. This coverage does not extend to directly or indirectly benefit any insurer or self-insurer under any workers' compensation, disability benefits, or similar law;
- . D. This coverage does not apply as to suit brought or claim settlement made with respect to bodily injury, sickness, disease or death, resulting from occupying or being struck by a vehicle owned by or under long-term lease (six months or more) the Member or a member of his/her family;
- . E. This coverage does not apply, either in whole or in part, if other similar protection, or insurance, regardless of amount thereof, is available to the Member;
- . F. "Uninsured or underinsured motor vehicle" does not include any vehicle (i) owned or operated by a self-insurer under any applicable motor vehicle law, or (ii) designed for use mainly off public roads while not on public roads;

- . G. "Uninsured motor vehicle" means a land motor vehicle to trailer, or owner or driver thereof, for which the sum of all collectible liability bonds or insurance policies at the time of the occurrence provides at least the amounts required by applicable laws, but their limits are less than the limit of this coverage.
- . H. "Occupying" means in, upon, getting in, on, or out of;
- . I. "Underinsured motor vehicle" means a land motor vehicle or trailer, or owner or driver thereof, for which the sum of all collectible liability bonds or insurance policies at the time of the occurrence provides at least the amounts required by applicable laws, but their limits are less than the limit of this coverage;
- . J. Any amount payable under this coverage shall be reduced by (i) all sums paid or payable under any workers' compensation law or similar law, or under any disability, pension, retirement, social security, vision, dental, medical, hospitalization, life, annuity or salary continuation plans or insurance, and (ii) all sums paid by or for anyone who is legally responsible, or who agrees to pay by settlement, regardless if paid by insurance or otherwise.
- . K. Any amount paid under this coverage will reduce any amount the Member may be paid under any other coverage within the Liability and Vehicle Physical Damage Coverage Document;
- . L. If any payment is made under this coverage and the Member recovers from another party, the Member shall hold the proceeds of such recovery in trust for and pay the Authority the amount the Authority has paid;
- . M. In the event of an occurrence pursuant to this coverage, the Member shall promptly (i) notify the police if a hit-and-run driver is involved, and (ii) send the Authority copies of the legal papers if a suit is brought;
- . N. This coverage does not apply to any punitive or exemplary damages portions of any judgment or settlement.
- . O. The most which will be paid under this coverage for all damages resulting from any one occurrence is \$ 250,000.

Effective Date: October 16, 2015

Issue Date: November 08, 2015

Michigan Municipal Risk Management Authority

By:  _____
Authorized Representative

Multi Year Membership Agreement

In consideration of the items below, Michigan Municipal Risk Management Authority (MMRMA) and Member (City of Troy) agree:

1. This Agreement shall extend for a three (3) year period starting November 8, 2015 and ending, November 8, 2018.
2. For the second year of this Agreement, the combined lines of coverage rate level may be increased, but not more than two percent (2%). Combined lines of coverage rate shall mean the quotient of the annual Member Total Contribution without Retention Fund Allocation and the annual Member Exposure Equivalents, as indicated on the contribution summary page of the Coverage Overview.
3. For the third year of this Agreement, the combined lines of coverage rate level will not increase. Combined lines of coverage rate shall mean the quotient of the annual Member Total Contribution without Retention Fund Allocation and the annual Member Exposure Equivalents, as indicated on the contribution summary page of the Coverage Overview.
4. Annual Member Total Contribution without Retention Fund Allocation shall mean the annual Member contribution less that portion of the contribution for the Michigan Catastrophic Claims Association and other state mandated charges and also less that portion of the contribution which funds payment of losses and expenses falling within the Member's self-insured retention.
5. Substantial change in types of exposure as determined by MMRMA Underwriters, are exempted from the above limitation.
6. This agreement excludes any coverage change to MMRMA Coverage Document, Joint Powers Agreement, Reinsurance Treaties, MMRMA rules and administrative procedures.

MICHIGAN MUNICIPAL RISK MANAGEMENT AUTHORITY

City of Troy
 QUOTE NUMBER Q000001928
 SUMMARY
 EFFECTIVE 11/8/2015 - 11/8/2016

<u>Coverage</u>	<u>Expiring Annual Exposure</u>	<u>Proposed Annual Exposure</u>	<u>Limits of Liability</u>	<u>SIR/ Deductible</u>	<u>Expiring Contribution</u>	<u>Proposed Contribution</u>
Automobile Liability	251 Total Vehicles	257 Total Vehicles	15,000,000	500,000	49,135	56,309
Automobile Physical Damage	\$6,250,000 ACV	\$6,380,000 ACV		15,000	9,707	11,005
Fire/EMS Replacement Cost	\$11,220,000 Replacement Cost	\$11,305,000 Replacement Cost		1,000	52,081	49,151
General Liability	\$80,386,996 Exposure Equivalents	\$98,286,871 Exposure Equivalents	15,000,000	500,000	65,877	72,236
Law Enforcement Liability	128 Employee Equivalents	124 Employee Equivalents	15,000,000	500,000	106,681	155,551
Public Officials' Liability	\$80,386,996 Exposure Equivalents	\$98,286,871 Exposure Equivalents	15,000,000	500,000	48,935	56,973
Property	\$99,399,444	\$107,843,747		1,000	59,009	64,105
Data Breach and Privacy Liability			1,000,000	25,000 See Table IV	0	0
Subtotal					391,425	465,330
Sewers	82,071 Population	82,071 Population	1,000,000	500,000	6,021	6,021
MCCA Assessment	251 Total Vehicles	257 Total Vehicles			46,686	38,550
MCCA Assessment Discount					-46,686	-38,550
Total					397,446	471,351
Stop Loss Charge	\$1,000,000 Stop Loss entry point	\$1,000,000 Stop Loss entry point			20,722	25,333
Total Contribution without Retention Fund Allocation					413,545	496,684
Retention Fund Allocation					100,000	25,000
Total Contribution including Retention Fund Allocation					513,545	521,684