



CITY COUNCIL ACTION REPORT

April 3, 2009

TO: John Szerlag, Acting City Manager

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

SUBJECT: Agenda Item – Casualty and Property Insurance Renewal – Request to Negotiate with the Michigan Municipal Risk Management Authority (MMRMA)

Background:

- The City has been a member of the MMRMA since 1990.
- The current agreement with the MMRMA expires November 8, 2009.
- The MMRMA has asked if the City would be open to negotiating a new agreement (Letter attached dated April 1, 2009).
- The MMRMA has submitted a successful competitive bid on four separate occasions since 1990.
- The MMRMA and City have successfully negotiated five additional agreements with City Council approval since 1999.
- The MMRMA insures 52 governmental entities in Oakland County, and 330 entities Statewide.

Financial Considerations:

- Mr. Boyd Smith of the MMRMA is aware that any negotiation with regard to pricing is open to review by competitors should the City and MMRMA not come to an agreement.
- Other services provided by the MMRMA as part of the insurance premium include: Notary Bonds, Oakland County Sheriff's Bonds, claims handling services, loss control services, input and decision making authority on claims prior to settlement, no annual aggregate limits of liability, risk transfer counseling, risk management counseling, and others.
- MMRMA financial strength (program assets of \$285,130,472 and a fund balance of \$137,335,273), 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.
- The MMRMA implemented a net asset distribution program over the last 3 years in which they return funds to their members based on financial stability and availability of excess net asset funds.

Policy Considerations:

- The MMRMA broad coverage document provides the City with a property and casualty insurance portfolio that enhances all of the City's outcome statements, and has met the City's changing needs.

Options:

- I believe it to be in the City's best interest to give Mr. Smith an opportunity to present and negotiate a proposal from the MMRMA because of their past performance in our competitive bidding process, their past willingness to negotiate fairly with City Management, and their excellent service to the City of Troy for the past 19 years.

RISK

MICHIGAN MUNICIPAL
RISK MANAGEMENT
A U T H O R I T Y

April 1, 2009

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 19 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, for example; the excess net asset distributions of recent years. The City of Troy has received \$181,980 in distributions so far. You have to ask yourself: Would an insurance company's Board of Directors make the same decision? Or would it declare bonuses to the company's executives and agents?

I believe our expert risk consultants in the areas of municipal law enforcement, fire and rescue, parks and recreation, and DPW, working in partnership with your risk management department, have contributed greatly to your excellent claim history. 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. 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. The City of Troy has participated in funding for police TASERS, education and training, and police in-car cameras for a total amount of \$30,650 in RAP grant funding. We feel this is money well spent and encourage all of our members to apply for this funding.

BOARD OF DIRECTORS

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MICHAEL L. RHYNER, Executive Director

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Stephen Cooperrider
April 1, 2009
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Per your request, the following is a list of other MMRMA members in Oakland County that are similar to the City of Troy:

<u>City</u>	<u>Population</u>	<u>SIR</u>	<u>Contribution</u>
City of Troy	81,000	\$500,000	\$319,876
City A	84,000	\$250,000	\$872,529
City B	82,000	\$150,000	\$977,577
City C	78,000	\$250,000	\$1,396,041
City D	73,000	\$500,000	\$625,965
City E	70,000	\$500,000	\$1,184,225
City F	70,000	\$150,000	\$602,089
City G	65,000	\$150,000	\$658,513
City H	61,000	\$250,000	\$819,114
City I	61,000	\$250,000	\$982,069
City J	44,500	\$150,000	\$507,358
City K	28,000	\$75,000	\$330,016
City L	19,000	\$150,000	\$675,655

Again, there are many factors that go into rating a municipality. A good loss ratio plays a big factor in keeping the rate down. Other considerations include the size of the police and fire departments, whether courts are included in coverage, whether there is a stop loss, its budget and property values, and the liability protection limits. These and many other factors play a part in a municipality's total contribution. As you can see, compared to other municipalities, the City of Troy has fared very well.

Our Executive Director is in the midst of discussions with our reinsurance partners. He feels that, although the investment market is down, with our excellent claim history we will be able to keep rates low and be able to lock in extended contracts. With the state of the current economy, I would like to remind you that the MMRMA is a Michigan company. We provide insurance and risk management services only for Michigan governmental entities.

I consider the City of Troy a valued member and will do everything in my power to negotiate an excellent renewal contract for you. Please, if at any time you have questions or concerns, do not hesitate to call me.

Sincerely,



Boyd M. Smith, CIC
MMRMA Risk Manager