



## CITY COUNCIL ACTION REPORT

September 14, 2009

TO: John Szerlag, 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 2009-10 and November 2010-11

### Background:

- The City is in receipt of a negotiated two year renewal offer letter from the MMRMA. *(attached)*
- On Monday, April 20, 2009 City Council gave City Management approval to negotiate a new agreement with the MMRMA. *(Council resolution #2009-04-139-F-5)*
- The City has been a member of the MMRMA since 1990.
- The current agreement with the MMRMA expires November 8, 2009.
- 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 19 years, including through a difficult hard insurance market following the World Trade Center tragedy.
- The MMRMA provides insurance coverage to 51 governmental entities in Oakland County, and 333 entities Statewide. *(The Top Ten Oakland County communities ranked by population that are MMRMA members is attached.)*
- A review 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 2008-09 was \$319,876.
- The MMRMA is proposing a two year agreement (November 2009 – November 2011) with the City at a first year cost of \$316,499, a 1% decrease or \$3377. With the second year not to exceed a 3% increase or \$325,994, based on exposures.

- In addition, the MMRMA has returned a net asset check in each of the last three years totaling \$181,905. The MMRMA has indicated there will be no check this year to its members but anticipates there will be a net asset check in 2010.
- MMRMA financial strength (program assets of \$290,871,489 and a fund balance of \$158,255,345), 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.
- 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 2009-10 of \$316,499, and a second year cost in fiscal year 2010-11 not to exceed \$325,994, depending on exposures. This agreement would include the continued maintenance of a positive loss fund balance of up to \$150,000.



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

September 2, 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 \$181,905 in distributions so far. Even though the Board of Directors suspended distributions for this year, distributions are expected to return next year. **Your longevity and continuous years of MMRMA Membership play a large part in your return, along with your claim experience and contributions.** 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?

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 and training, and police in-car cameras for a total amount of \$30,650 in RAP grant funding. 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 decrease in pricing (\$316, 499), a savings of \$3377. Also, I am happy to say we are able to offer the City of Troy an extended contract for a second year 2010, with an increase not to exceed 3%.

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 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. RHYNER, Executive Director

9/11/2009

## INSURANCE PREMIUM HISTORY

POLICY YEAR	INSURER	PREMIUM CASUALTY AND PROPERTY	SELF-INSURED RETENTION	LOSSES LIMITS	FUND CONTRIBUTION	NET ASSET DISTRIBUTION
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	\$24,320
2007/08	NOTE: Negotiated a new two year agreement with the MMRMA. MMRMA	\$310,567	\$500,000	\$15 mil	Not requested by MMRMA	\$44,683
2008/09	MMRMA	\$319,876	\$500,000	\$15 mil	Not requested by MMRMA	\$112,902

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