



CITY COUNCIL AGENDA ITEM

Date: April 5, 2011

To: John Szerlag, City Manager

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

Subject: 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, 2011. They have asked if the City would be open to negotiating a new agreement (Letter attached dated March 8, 2011 from Mr. Boyd Smith). They have submitted a successful competitive bid on four separate occasions since 1990. The MMRMA and the City have successfully negotiated six additional agreements with City Council approval since 1999. The MMRMA insures 51 governmental entities in Oakland County, and 334 Statewide.

The MMRMA is financially strong with total assets of \$390,734,670 and a fund balance of \$233,121,388. They have the broadest available coverage, a reinsurance program that includes carriers with the highest financial ratings that are admitted to do business in Michigan, and they implemented a net asset distribution program in 2006 that has returned funds to the City in excess of \$254,000. In addition, they have provided additional funds to the City through grants as part of their Risk Avoidance Program (RAP).

The MMRMA broad coverage document provides the City with a property and casualty insurance program that allows the City to develop and implement programs to enhance the City. Other services provided by the MMRMA include a notary bond service, sheriff bonds, claim handling services, loss control services, education and training, and consultation on risk management issues. Mr. Smith 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.

Recommendation

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 excellent service to the City for the past 21 years, and their willingness to negotiate fairly with City Management.



**MICHIGAN MUNICIPAL
RISK MANAGEMENT
AUTHORITY**

March 8, 2011

Stephen Cooperider, 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 20 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 \$254,110 in distributions so far. At its February meeting, the MMRMA Board of Directors approved a \$19,660,124 excess net asset distribution for the benefit of the membership. This will be our fifth and largest distribution of excess net assets to members so far. The exact distribution per member has not been calculated at this time, but I am sure it will be Troy's largest check to date. With this distribution, MMRMA has distributed almost \$57,000,000 to its renewing members since 2006.

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.

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Stephen Cooperrider
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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>Annual Contribution</u>
City of Troy	81,000	\$500,000	\$323,816
Total			
City A	84,000	\$250,000	\$898,140
City B	79,000	\$150,000	\$968,393
City C	76,000	\$250,000	\$1,336,072
City D	70,000	\$500,000	\$664,043
City E	67,000	\$500,000	\$1,148,154
City F	70,000	\$150,000	\$595,433
City G	65,000	\$150,000	\$658,254
City H	61,000	\$200,000	\$594,206
City I	58,000	\$250,000	\$1,043,304
City J	44,500	\$150,000	\$616,603
City K	28,000	\$100,000	\$306,383
City L	19,000	\$150,000	\$698,269

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

BMS/ks