

EVENT RELATED QUESTIONS

ADDITIONAL QUESTIONS/RESPONSES			
Event 1	MMRMA	MML	Nickel & Saph, Inc.
<p>City denied demo permit on property because designated as historic. Property owner sued City claiming action taken by City was inverse condemnation. Court ruled for property owners w/ \$245,000 award. Is the judgment covered? Is defense (\$28,000) covers. What does City pay?</p>	<p>City has full coverage & would pay defense cost & judgment. City is responsible for self insured retention (SIR) of \$150,000 from funds on deposit & MMRMA will pay remaining balance of \$198,000. Depending on how many other lawsuits the City has been involved in, the stop loss point of \$458,000 may apply.</p>	<p>Pool does not cover any type of inverse condemnation claims (indemnification or defense); However do provide defense for inverse condemnation claims that also allege unconstitutional violations if jury does not separate out damages & finds unconstitutional violation, the MML is responsible for whole verdict. If jury does separate damages, policy pays for those damages arising from excluded actions. Most frequent exclusions are intentional acts, illegal profit, contractual penalties and eminent domain, condemnation. MML Liability & Property Pool coverage document contains exclusion for any damage arising out of principles of eminent domain, condemnation proceedings or taking of property. However, zoning & land use claims to which other claims were made that were covered by the coverage document MML would provide defense and indemnification.</p>	<p>Trident/Argo policy afford sub-limits of \$100,000 per occurrence & \$300,000 aggregate for inverse condemnation. Limits are afforded for 3rd party damages. Coverage for defense expenses is afforded w/ no limit or restriction. Out of \$245,000 judgment, Trident/Argo would pay \$100,000 and 100% (\$28,000) of defense expenses. City would need to satisfy \$25,000 per occurrence deductible. In regards to the \$245,000 in damages, City would pay first \$25,000 followed by payment of \$100,000 by carrier, leaving balance of \$120,000 to be paid by City. City's total expense is \$145,000</p>
City Pays	\$150,000 (SIR)	\$245,000+\$28,000=\$273,000	\$145,000
Insurance Company Pays	\$95,000+\$28,000=\$123,000 (Stop loss insurance kicks in at \$458,001 of SIR payments)	\$0 No Coverage	\$100,000+\$28,000=\$128,000 (Also has \$300,000 aggregate cap)

Event 2	MMRMA	MML	Nickel & Saph, Inc.
<p>City has entered into a long-term lease arrangement w/ a non-profit organization of one of City buildings that is currently vacant. What kind of landlord/tenant coverage is proposed with insurance program you are recommending to the City?</p>	<p>Recommend City maintain full replacement cost coverage; require lessee provide various coverages to protect City's interest. MMRMA will protect City from liability for city's negligence & vicarious liability that may arise from actions of lessee or visitors. Depending on exposure of lessee recommendation: Lessee not occupy premises until obtained insurance – wk comp, commercial general liability -\$1,000,000, prop ins, motor vehicle liability -\$1,000,000, additional insured naming City, et al , cancellation language, hold harmless lang. All coverages w/ ins co licensed & admitted in MI & acceptable to RH. Limits do not limit liability of Lessee. All deductibles & SIRs are responsibility of lessee.</p>	<p>City has premises liability coverage, owned property coverage; loss of rents coverage. MML recommends that the tenant should have a minimum \$1 million general liability coverage and add the City as an additional insured. The tenant should also carry property coverage for their own contents and leasehold improvement.</p>	<p>Trident/Argo policy affords commercial general liability coverages. These coverages will protect/cover City as a potential landlord against covered bodily injury and property damage claims. Trident/Argo policy will not afford any coverage to/for the tenant. Tenant (as an entity separate & distinct from City) must/should have own commercial general liability and as a tenant in a city owned building, name City as additional insured. Would like to review lease to determine actual parties, responsibilities, hold harmless and indemnification language. Tenant would be responsible for insurance for their own contents. Firm provides \$1,000,000 of loss of rental income coverage for City (resulting from covered property claims.)</p>
City Pays	\$0.00	\$0.00	\$0.00
Insurance Company Pays	Covered under Liability & Property Coverage	Covered under Liability & Property Coverage	Covered under Liability & Property Coverage. Note: Aggregate cap of \$15,000,000 for Liability Insurance

Event 3	MMRMA	MML	Nickel & Saph, Inc.
<p>City contracts w/ OCSD for police protection services. Provide thoughts, opinions & possible concerns w/ 2011 contract, in particular Articles 18, 19, 20 & 21 relating to liability for claims & defense; provide opinion as to level of risk City is accepting; is City (officials & employees) insured for claims/lawsuits asserted against City due to acts or omission of OCSD in performance of law enforcement services under this agreement; are there variables i.e., claims arises out of sole negligence of OCSD w/o contributory negligence of City, claims arises from intentional tort committed by OCSD, nature of fact or omission by OCSD (excessive force, wrongful death, civil rights violation, etc) resulting in claim against the City.</p>	<p>Current language is not original contract language. Worked in 2009 w/ city atty to revise language that required City to take on more liability & County would not hold City harmless for any of their actions as contractor. In 2010, agreement changed again, worked with OC Risk Mgmt Dept and Corporation Counsel to revise again. Agreement is now template that OC uses with all entities. City still has some vicarious liability associated w/ agreement but far less liability w/ negotiated contract . MMRMA will protect City for vicarious liability associated w/ agreement & any liability imposed based on negligent acts of City. City has best possible contract that OC will allow and believe that attys who represent MMRMA would be able to relieve City of all liability from actions of OCSD regardless of actions of OCSD. Gross negligence of OCSD may lead to actions being taken against City as well as County, but MMRMA will defend and protect City and do its best to have City removed from lawsuit because of actions of OCSD.</p>	<p>The definition of “Agent” is too broad. Number 18 should stop after “acts of its employees.” Otherwise, the City is picking up liability for everyone listed under the definition of “Agent.” If the sole action(s) of the County bring(s) the City into a lawsuit for which the City has no control, input or involvement, it does not seem practical (or fair) that the City should be responsible for its own defense. Recommend referred to MML Liability & Property Pool’s coverage document, Section II-Who is Covered? The term Agent could be easily conformed to the policy language which clearly spells it out. Each of the following is an insured, but only for acts within the scope of their employment by or duties on behalf of the Member.</p> <ul style="list-style-type: none"> a. Any elected or appointed official of the Member; b. Any employee or authorized volunteer of the Member; c. Any person officially appointed to a Board or Commission of the Member; or d. Any Law Enforcement Personnel of 	<p>City is contractually responsible for claims and defense. City waives indemnification rights against OCSD. Based on contractual obligation of City and potential law enforcement liability exposures assumed by City within the contract, firm strongly suggests City secure a law enforcement liability policy. Offer for law enforcement liability w/ limits of \$15,000,000 (limits separate and distinct from other liability limits) at cost of \$1,376/annually. Clearly, City assumes responsibility of responding & paying claims against City. At minimum City (insurance company) will incur cost to defend. By adding law enforcement liability coverage, cost for defense and damages up to policy limit of \$15,000,000 per wrongful act. The City (and officials and employees) are insured for claims or lawsuits due to acts or omissions of OCSD in performance of law enforcement services assuming City secures the law enforcement liability coverage for an annual additional premium of \$1,376. There are no other policy terms, conditions, definitions and exclusions. Does not matter whether claims against</p>

		<p>the Member. MML – not attorney- reviews contracts strictly to review relevance & importance of insurance coverages. City (and officials & employees) are not insured for claims or lawsuits that may be asserted against the City due to acts or omissions of OCSD in performance of law enforcement services under this agreement. There are exclusions & conditions. It is impossible to predict the infinite variety of allegations that could be made. Each case is different & must be investigated before coverage can be clearly determined. There could be some gaps in coverage, depending on court’s interpretation. Contract spells out each entity responsible for own claims. If both entities involved and/or are contributing w/ own negligence, each entity responsible for own defense and indemnity.</p>	<p>City arises out of sole negligence of OCSD w/o contributory negligence of City. Law Enforcement Liability assumes actions of authorized law enforcement officers are intentional acts simply by nature of their duties.</p>
City Pays			
Insurance Company Pays	Vicarious Liability covered	Not clear coverage is supported	<p>Seems to cover City but recommends additional coverage for law enforcement at \$1,376/year.</p> <p>Note: Aggregate cap of \$15,000,000 for Liability Insurance</p>

Event 4	MMRMA	MML	Nickel & Saph, Inc.
<p>City uses many volunteers for many of its community events. At City sponsored community event a volunteer falls requiring medical attention. Cost of medical attention is \$14,499. What is amount paid by insurance and amount paid by City?</p>	<p>MMRMA would pay entire \$14,499 for medical assistance provided to volunteer and City would pay \$0. MMRMA offers \$25,000 per occurrence coverage for Volunteer Medical Payments w/o deductible or SIR payments by City.</p>	<p>Pool provides up to \$10,000 medical payments for bodily injury caused by an occurrence (volunteers are eligible to be paid under medical payments coverage). No deductible for “medical payments” claims. City or volunteer would be responsible for balance of \$4,499. There are a limited number of exclusions. Most involve employees and others who should already have coverage under Workers’ Compensation policy.</p>	<p>Bodily injury liability is afforded for limits of \$15,000,000 per occurrence subject to \$25,000 deductible. In example City pay 100% of damages as damages do not exceed \$25,000 deductible. Voluntary medical payments are not offered by Trident/Argo. City must be liable for incident that was proximate cause of injuries for policy to respond. Strongly recommend City security Accidental Death & Accident policy for ALL volunteers.</p>
<p>City Pays</p>	<p>Full coverage for volunteers. City pay \$0</p>	<p>Coverage for volunteers Up to \$10,000 City pays \$4,499</p>	<p>No coverage for volunteers City pay \$14,499</p>
<p>Insurance Company Pays</p>	<p>\$14,499</p>	<p>\$10,000</p>	<p>Need separate policy to cover volunteers. Note: Aggregate cap of \$15,000,000</p>

Event 5	MMRMA	MML	Nickel & Saph, Inc.
<p>City's 1995 aerial platform ladder truck is completely destroyed in a fire. Original cost of truck \$500,000. Current replacement is \$800,000. What kind of settlement could City expect? Breakdown between amount paid by insurance and City. Takes up to 6 months to receive replacement fire truck. Does insurance provide rental reimbursement for fire truck? Breakdown between amount paid by insurance and City.</p>	<p>City insured on replacement cost basis for damaged fire vehicle. City responsibility would be \$1,000 deductible and then 10% of next \$100,000 of loss from their funds on deposit or \$11,000 total. MMRMA would then pay remaining \$789,000 for the new vehicle. MMRMA offers \$1,000 per week up to 12 weeks of rental reimbursement coverage on fire vehicles. Claims staff can assist with rental agency or City can rent from neighboring community with an available fire truck.</p>	<p>City provided replacement cost values for emergency vehicles and these values are the agreed amount values included in proposal. The 1995 Kovatch mobile 102' aerial platform was listed on replacement cost notice schedule w/ a value of \$892,671. This is the agreed amount value used in MML proposal. Therefore, MML Liability & Property Pool would pay up to \$892,671. Physical damage coverage is extended to unscheduled miscellaneous equipment on a covered auto that is customary to the use of that covered auto. Coverage under this endorsement shall not exceed 20% of the cost new of the applicable covered auto and shall be subject to the physical damage deductible. The city is responsible for the \$250 comprehensive deductible. MML Liability & Property Pool will pay up to \$2,000 per week for a maximum of 12 weeks for rental reimbursement expenses incurred by City because of damage to covered fire truck, because the City asked for comprehensive and/or collision coverage on this vehicle. MML will pay rental reimbursement expenses incurred, regardless of the policy's expiration when the coverage auto</p>	<p>After satisfying the \$1,000 comprehensive (physical damage form that covers against vehicle fire loss) deductible, City would be reimbursed for replacement value of vehicle – in this scenario \$800,000. Trident/Argo policy affords rental reimbursement in amount of \$500 per day for maximum, per loss limit of \$10,000 – twenty days at \$500 maximum per day. No deductible applies to this coverage; this is a first dollar coverage.</p>

		is returned to use or MML pays for its loss.	
City Pays	\$11,000	\$0	\$1,000
Insurance Company Pays	\$789,000 Rental coverage \$1,000/week for 12 weeks = \$12,000	\$800,000 Rental coverage \$2,000/week for 12 weeks = \$24,000	\$799,000 Rental coverage \$500/day up to \$10,000 Note: Aggregate cap of \$15,000,000

Event 6	MMRMA	MML	Nickel & Saph, Inc.
<p>On average City experiences about 3 sewer backups a year. Each back, on average affects 3 or more homes – 9 to 12 homes affected each year. Each sewer backup occurrence between clean-up, removal of damaged property and replacement of damaged property (at its current value) runs about \$32,000 each or about \$96,000 a year. What kind of settlement could City expect? Breakdown between amount paid by insurance and City.</p>	<p>Under MMRMA coverage, City would have \$500,000 limit for sewer back-up liability claims w/ a SIR of \$150,000 applying. In this scenario City would pay full claims out of their funds on deposit with MMRMA. Even with these claims being under your SIR, the MMRMA would fully adjust these claims w/ the homeowner.</p>	<p>MML will pay those sums that the City becomes legally obligated to pay as damages because of bodily injury, property damage, damages, personal injury or advertising injury or loss adjustment expense for each occurrence arising from the actual, alleged or threatened discharge, dispersal, seepage, migration, release, escape, back up or overflow of any water or sewage from any sewer, drain or sump (whether open or closed) during the coverage period. As long a City is legally obligated to pay \$96,000 as damages, the MML Liability & Property Pool will pay the entire \$96,000 (or up to the \$100,000 sublimit quoted) with a \$0 deductible owed by the City.</p>	<p>Assuming negligence of City under Act 222, coverage is afforded for full policy limits \$15,000,000. Deductible of \$25,000 per event will apply to covered claims. Assuming 3 events (regardless of the number of affected property owners per event) of \$32,000 each, the insurance company will pay \$7,000 per event or \$21,000 per year. Investigation, adjusting and defense expenses will be covered above or in addition to the \$21,000 paid for damages.</p>
City Pays	\$96,000	\$0	\$75,000
Insurance Company Pays	<p>\$0</p> <p>\$500,000 limit for sewer back-up liability claims</p>	<p>\$96,000 Capped limit of \$100,000</p> <p>Cites “legally obligated” in response</p>	<p>\$21,000</p> <p>Cites “legally obligated” in response</p>

Event 7	MMRMA	MML	Nickel & Saph, Inc.
<p>City's fire dept is a first responder using either paramedics or EMTs to assist citizens requiring emergency medical care. In July 2011 paramedics respond to hit & run call and provided emergency medical care to citizen that had been hit by a car. In route to hospital citizen dies. Family sues City claiming malpractice by paramedic. Court rules in favor of family in March 2012 and awards \$5 million. What, if any, of the judgment will be covered? What, if any, of the defense cost (\$50,000) are covered? Show for award and defense costs, amount covered by insurance and to be paid by City, as either a deductible or SIR.</p>	<p>Medical malpractice coverage would be provided for claims against the individual EMT and City for entire amount of \$5,050,000. City would pay \$150,000 from their funds on deposit and MMRMA would pay \$4,975,000. Depending on how many other lawsuits the City has been involved in, the Stop Loss point of \$458,000 may apply.</p>	<p>The medical care provided by first responders (paramedics or EMTs) for medical treatment is not excluded by the Pool. Therefore, the Pool would pay up to the \$10,000,000 (or \$15,000,000, if this option was selected) combined single limit per occurrence (in this case \$5,000,000 less the \$100,000 \$10,000 deductible (city would buy up to lower deductible) owned by the City), plus the legal expenses of \$50,000.</p>	<p>As stated, offering Commercial General Liability limits of \$15,000,000 per occurrence. Under proposed program, Commercial General Liability coverage includes coverage for emergency first responders. A \$25,000 per occurrence deductible applies to covered claims. Under this scenario, Trident/Argo would pay damages of \$4,975,000 (\$5,000,000 minus a \$25,000 deductible) and all 200% of the defense costs.</p>
City Pays	\$150,000 from SIR	\$10,000	\$25,000
Insurance Company Pays	\$4,900,000 Stop Loss kicks in at \$458,001 in SIR payments	\$4,900,000 + \$50,000 = \$4,950,000	<p>\$4,975,000 + \$50,000 = \$5,025,000</p> <p>Note: Aggregate cap of \$15,000,000</p>

Event 8	MMRMA	MML	Nickel & Saph, Inc.
<p>Under contract City uses OCSD as its police force. In Aug 2011, a sheriff vehicle is involved in a high speed chase. During chase a car carrying 5 teenagers crashes and all 5 teenagers die. Family members sue County & City. Court rules City should not be dismissed from lawsuit. At end of lawsuit (April 2012) Court awards \$25 million to be divided equally between each of 5 families (second general liability award in the current insurance premium year). Court further rules that \$25 million be paid equally between County& City. What, if any, of the judgment will be covered by insurance. What, if any of defense costs (\$50,000) are covered? Show for the award and defense costs, amount covered by insurance and to be paid by City?</p>	<p>Each and every occurrence is protected for the City up to \$15,000,000. The award, if split equally between the City and County, would be fully protected, including the defense cost. The award of \$12,500,000 as well as the \$50,000 defense cost for the City would be covered and the City would be responsible for their SIR of \$150,000 for this case from their funds on deposit. Depending on how many other lawsuits the City has been involved in, the Stop Loss point of \$458,000 may apply.</p>	<p>This is an auto liability claim. Since the vehicles are owned by the county, there would not be auto physical damage or auto liability coverage for the City for vehicles owned by the County. According to Michigan No-Fault, the City would not be responsible for liability assumed if the City does not own the vehicles or City employees are not driving the vehicles. In this case MML would appeal the ruling dividing the negligence equally between the City & County and would expect to win the appeal. The of the appeal would be covered under the policy.</p>	<p>Claim would be adjusted under City's Automobile Liability policy form (comment regarding a second general liability loss does not impact this claim evaluation). Affording auto liability limits of \$15,000,000 per occurrence subject to \$25,000 per occurrence deductible. Damages on behalf of City in amount of \$12,475,000 would be paid by carrier (\$12,500,000 minus the deductible of \$25,000). In addition to damages paid, all 100% of defense costs will be paid by carrier.</p>
City Pays	\$150,000 (SIR)	\$12,550,000	\$25,000
Insurance Company Pays	<p>\$12,350,000 + \$50,000 = \$12,400,000 Stop Loss kicks in at \$458,001 of SIR payment</p>	Response implies No Coverage	<p>\$12,475,000 + \$50,000 = \$12,525,000 <u>Note:</u> Aggregate cap of \$15,000,000</p>

Event 9	MMRMA	MML	Nickel & Saph, Inc.
<p>Over the last 5 years, the City has received asset distributions back from its current insurance carrier. Based on your last 5 years of experience, under the insurance program you are proposing, could you tell us what, if any, asset distributions the City would have received from you, if the City had been your client over the past 5 years?</p>	<p>The MMRMA has distributed \$37,252,203 to its membership since 2006. Rochester Hills has received \$421,570 in that same time frame. In 2011, MMRMA will be making its largest net asset distribution in its history, expected to be around \$20,000,000. In addition to the net asset distribution, MMRMA also distributes \$750,000 per year to its membership for risk avoidance program (RAP) grants. Rochester Hills has applied for and has been awarded grants such as sewer metering equipment, security system and sewer smoke testing, totaling over \$13,000.</p>	<p>Over the past 5 years, the Pool has used surplus to stabilize premiums and to provide members with enhanced coverages. No dividends have been distributed. However, over the past 5 years, MML Liability & Property Pool member premiums have gone down by an average of 6% per year.</p>	<p>Proposed program is not a dividend paying program. This is a guaranteed cost program – no audits (additional premium) nor any program dividends. This is a traditional program: you pay for the exposures that are found to exist. We do not demand or require any pre-funding that may or may not result in the payment of future dividends. Program is an admitted and a guaranteed program (by State of Michigan) and we offer a true deductible program. No demand for pre-funding of a loss fund. Program is a deductible program; City pay deductible after the expense is incurred.</p>
<p>Insurance Company Returns</p>	<p>$\\$421,570 + \\$13,000 = \\$434,570$ divided by 5 years = \$86,914/average per year based on 5 yrs</p>	<p>\$0</p> <p>Liability & Property Pool member premiums have gone down by an average of 6% per year.</p>	<p>\$0</p>

PROJECTED TOTAL COST TO CITY

	MMRMA	MML	Nickel & Saph
Premium Quoted	\$481,281 <u>\$ 31,283</u> Stop Loss \$503,257	\$366,258 \$ 15,000(1) <u>\$ 55,397(2)</u> \$436,655	\$243,859(5)
Additional cost to city if all events presented take place in rate year 2011-2012 (6)	\$458,000(3)	\$287,499	\$285,499
Membership distribution	-\$ 86,914(4)		
Total Cost to City Based on Premium and event related costs	\$874,343	\$724,054	\$529,358

- (1) Adjustment to reduced deductible to \$10,000
- (2) Adjustment to bring Liability Coverage to \$15 million
- (3) Addition to cost to City set at the Stop Loss Cap
- (4) Five year average annual membership distribution
- (5) Premium quoted is based on a \$15 million aggregate cap on each line of insurance
- (6) Except for in the case where MML proposes that in event 8 the event should be covered by the County which was outside the City's request for additional information.