



Legislation Text

File #: 40638, **Version:** 1

Fiscal Note

In 2015, the City is anticipated to spend approximately \$178,000 on auto physical damage coverage and \$292,800 on property coverage through the Local Government Property Insurance Fund (LGPIF), which includes a \$50,000 maximum aggregate deductible on property coverage. This is expected to increase to \$240,043 and \$490,367, respectively, in 2016 through the LGPIF, with no maximum aggregate deductible on property coverage. Under the Municipal Property Insurance Corporation (MPIC), the cost of the property coverage is anticipated to be \$370,700, also with no maximum aggregate deductible. This is approximately \$120,000 less than the cost of the LGPIF coverage. MPIC will not be offering auto physical damage coverage; the City is pursuing coverage options through other carriers.

Title

To Withdraw from the Local Government Property Insurance Fund (LGPIF) and become part of the Municipal Property Insurance Company (MPIC).

Body

WHEREAS, in 1987, the Wisconsin Municipal Mutual Insurance Company ("WMMIC") was created to help local municipalities effectively handle the costs of general liability insurance, with the City of Madison as a charter member and its largest participant. For the past 28 years, WMMIC has helped control costs for the City of Madison and its other members by providing liability coverage (including general liability, cyber liability, auto liability, and public officials errors and omissions liability) and claims administration services. In its most recent rating, AM Best gave WMMIC an (A-) (excellent) credit rating; and

WHEREAS, the Governor's 2015-2017 state budget proposed to eliminate the Local Government Property Insurance Fund ("LGPIF"). While the Legislature retained the LGPIF, insurance provided by the fund will have significantly higher premiums of up to 100% of current rates. In response, local municipalities worked together to find positive alternatives to the LGPIF; and

WHEREAS, WMMIC partnered with Cities and Villages Mutual Insurance Corporation ("CVMIC") and the League of Wisconsin Municipalities Mutual Insurance Corporation ("LWMMI") to create a new stock property insurance company, Municipal Property Insurance Company ("MPIC"); and

WHEREAS, the three mutual entities have each provided start up funds of \$3 million. MPIC will hire an executive director and will be ready to issue insurance policies on October 1, 2015; and

WHEREAS, with more than 400 municipalities insured by these three entities, MPIC expects to have a significant insurance pool of new members; and

WHEREAS, all information from LGPIF can be transferred to MPIC, so no application process is necessary; and

WHEREAS, after doing our due diligence in checking market comparable alternatives, it is evident that MPIC is the best alternative for the City of Madison to administer the City's property insurance; and

WHEREAS, pursuant to the requirements of section 605.21(3), Wis. Stats., to withdraw from the LGPIF, the local municipality must provide certified notice to LGPIF by majority vote that they have elected to withdraw from the fund. (Withdrawal cannot be prior to the date action was taken.)

NOW, THEREFORE, BE IT RESOLVED, by the City of Madison Common Council that, pursuant, to section 605.21(3) of the Wisconsin Statutes, elects to withdraw from the Local Government Property Insurance Fund on January 1, 2016 when its current policy expires (effective date); and

BE IT FURTHER RESOLVED that a certified notice of this resolution be sent to the Local Government Property Insurance Fund and the appropriate forms be completed; and

BE IT FINALLY RESOLVED that City of Madison hereby elects to become part of the Municipal Property Insurance Company (MPIC) effective on January 1, 2016.