

Road board 'bare' on insurance

Taxpayers may think twice before suing the Oakland County Road Commission, which this week announced it no longer has road liability insurance. It has set up its own reserve fund to pay damages.

But once the reserve is gone, warned OCRC Chairman John R. Gnaou Jr., "The full cost of liabilities will be paid by highway user taxpayers."

"It's no longer possible to purchase the type of insurance that would offer any real buffer," said the Bloomfield Township businessman who chairs the three-member road board.

"We were not able to get insurance coverage for a catastrophic loss at any price, from any carrier in the world, and the only offer for even minimum coverage was too expensive."

THE ROAD Commission is the latest of many private businesses and public agencies to reveal it can no longer afford — or even find — liability insurance in today's market. In insurance industry jargon, it's known as "going bare."

The situation developed in the last year when 1) falling interest rates decreased what insurance companies could earn on their invested reserves and 2) high jury awards — particularly for "pain and suffering" — caused mounting losses.

The only available coverage, he said, would have required the road commission to pay the first \$500,000 per accident; the insurer would have covered the second \$500,000; and the road commission would have to pay any amount over \$1 million.

"The premium for that coverage would have been \$1.5 million for one year," Gnaou said.

"SINCE MOST damage payments do not exceed

\$500,000, we would have little use for this type of coverage."

"What we need — and what we've had in previous years — is coverage for all but the smallest claims, particularly for the rare but potentially devastating multi-million-dollar accident."

Last year, for example, we purchased insurance for up to \$30 million per occurrence or per year, which required us to pay only the first \$150,000 per accident with an aggregate of \$1 million per year. Premium was \$402,000.

So the OCRC will set up reserves with \$2.1 million plus whatever interest it earns. "The \$2.1 million will cover our best projection of reserve needs for fiscal 1986," though it will take several years to be sure.

But if the reserve is inadequate, the OCRC will have to dip into operating money to pay settlements, Gnaou said.

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— John Gnaou Jr.



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"Whatever Happened to Childhood," a seminar focusing on the issue of a hurried childhood, is planned by the Michigan State University Cooperative Extension Service and Oakland Schools on Monday in the school offices in Pontiac.

The program, which runs from 9:30 a.m. to 3:30 p.m., will examine the extraordinary pressure today's youngsters feel to achieve, succeed and please.

The fee is \$5 and includes the cost of lunch and materials. For more information, call 858-0895.

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