

# Governments providing 'self-insurance'

Continued from Page 1

Michigan are trying to put together an insurance pool similar to that of the risk management authority or of the Michigan Municipal League, it still hasn't come about, Flanagan said.

Most cities and townships have turned to insurance pools not only for less expensive premiums but also because private insurance companies no longer offered the type of coverage that local governments were seeking, Deadman said.

"In mid-term, a lot of them (the local governments) were being cancelled. Others couldn't get the limits they wanted. And others are getting policies that aren't covering what they used to. Insurance companies offer only an amount of insurance based on their reserves," Deadman said.

In the early 1980s, insurance companies waged a premium war and reduced prices. But as it turned out, they underpriced their risks and decreased capacity to serve customers, Deadman said.

The insurance industry then began to cut off certain types of business. Although premiums from government are generally a small portion of the insurance industry's total, government is one of the businesses on the losing end.

Farmington and Farmington Hills reviewed the risk management authority's comparatively lower prices and guaranteed coverage. But what made the MMRMA exceptionally attractive is a program designed to help communities cut liability.

THE MMRMA offers cities a "loss

control" program. MMRMA personnel review each city and offer recommendations on what each can do to limit its losses. For example, MMRMA personnel may suggest that a city change the kind of equipment used in firefighting or in public services.

A change in an existing ordinance is also something that could cut potential losses.

In September, the Farmington City Council approved an ordinance covering sidewalks and rights-of-way. The MMRMA reviewed the sidewalk ordinances and determined that liability for sidewalk maintenance and areas

between sidewalks and roadways was not clearly stated.

The amendment transferred liability for the failure to maintain sidewalks from the city to the property owner.

"We believe since the city has already transferred the maintenance to sidewalks and driveway approaches to the property owner, the city should also clearly transfer the liability for lack of maintenance to the property owner," Deadman said in September.

The MMRMA also has a contract with Ferris State College in Big Rapids to develop training programs for loss control, Deadman added.

ANOTHER MMRMA benefit is the employment of attorneys who specialize in municipal liability. Should a city be sued, the authority's attorneys would handle the case.

The MMRMA also offers an "incident reporting system." If an incident occurs in which the city could be potentially liable, adjusters who work for the authority review the situation. They make sure all facts are gathered immediately, rather than until a lawsuit is filed, which is sometimes a year later when it's difficult to determine just what happened, Deadman said.

In Farmington Hills, employees and officials are always on the lookout to minimize the city's exposure to potential liability, Conlick said.

For example, he said, city officials check for potentially unsafe conditions — including whether a tree sits far enough from a road so when a car leaves the road, the city isn't held liable because the tree was in the way.

Construction contractors also are checked to be sure that barricades are put up around their projects so motorists and pedestrians are protected from potential harm.

## Coping with higher insurance costs

By Mary Klemic  
staff writer

Soaring insurance costs are considered a thorn in the side of medicine, industry and government these days. And school districts are getting the painful point as well.

The Clarenceville School District is paying more than four times as much for coverage this year as it did two years ago.

Clarenceville paid about \$17,000 for liability and property insurance two years ago. That figure shot up to \$39,000 last year and to \$69,000 this year, said Ed Salisz, assistant superintendent for business.

"It's affected all schools," he said. "Many have been dropped, insurance-wise. That happened to us, but we were able to pick up another company."

"It's a substantial bite into the budget," Salisz said. "If you can imagine, one mill is \$136,000. We are one-half mill just on property damage."

CLARENCEVILLE'S deductibles — the district's share of a claim that is paid — jumped from \$2,500 to \$20,000 for the same period.

"We were lucky to get that," Salisz added.

Clarenceville paid two claims last year, both for water damage. One totaled around \$9,150 and the other \$35,000, according to Salisz.

The reason for the higher rates?

Over a period of five or six years, insurance companies have been cutting rates to get business. Insurance ratings services required that a company maintain a 3-1 ratio of premium revenue to reserves.

"THEY HAVE to pay the claims, but they don't have to sustain writing tremendous amounts of premiums," said Paul Kadish, president of Associated Group Underwriters in Livonia.

He said this applied to "whole classes of businesses."

"All of the districts affected are not necessarily bad risks," Kadish said.

"They just fall in that area."

A municipal group, Governmental Risk Managers, has been formed to set up self-insurance for communities and townships. Districts may form similar consortiums in the future.

"We're working on trying to develop something for local school districts, but that's a little bit tougher," Kadish said. "Their liability is a little different. The risks are greater."

CAN THE Michigan Legislature do anything?

"There's not a hook of a lot Lansing can do," Kadish said.

"The law does not say, 'You, Mr. School District, must carry insurance and (compensate) must make it available to you.' A lot of insurance companies could just pull out of the state if that happened. It might be more of a detriment than anything else."

One possible route for districts is to take a larger deductible.

"You take that gamble," Salisz said. "I've heard of other school districts where they can't even buy the insurance. Some have gone up 300 percent. We've been fortunate so far."

BUT in the meantime, districts must face higher rates.

"The cost have gone up," Salisz said. "We are not excluded. More people are suing now than several years ago. The insurance companies have to cover themselves."

Clarenceville takes in portions of Livonia, Bedford Township and Farmington Hills.

## Fashion benefit for Shelter

Gerald's Salons will present the second annual benefit fashion show for the Haven, Oakland County's Domestic Violence Shelter and Sexual Assault Counseling Center. The 4 p.m. Sunday benefit will take place at the Northfield Hills hotel, which will co-sponsor the event at 1-75 and Crooks, Troy.

The theme of the party and show is "Getting It All Together," featuring clothing, hair styles, makeup and accessories that will take today's career woman from early morning meetings to late night social events.

Hors d'oeuvres and a cash bar will be available.

Tickets are priced \$15. All proceeds from the show will go to Haven. Last year's show raised \$9,000 for Haven. In Pontiac. This year's goal is \$20,000.



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