MEMORANDUM

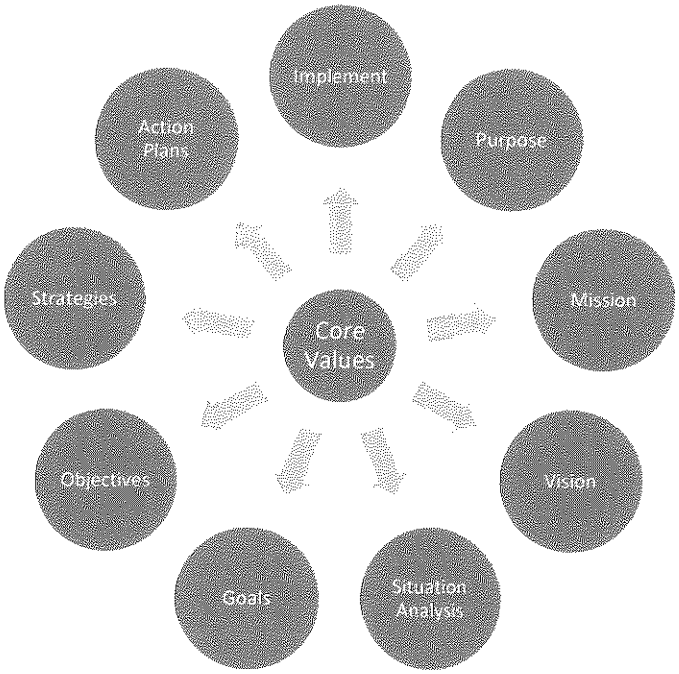
Date: March 23, 2012

To: Administration Committee and Department Heads
From: Pamela A. Captain, City Attorney

RE: CVMIC Strategic Planning Meeting

On April 25, 2012, CVMIC has scheduled a strategic planning meeting with an outside facilitator. The City of Menasha is being requested to provide input about what it wants CVMIC to look like in the future and what services Menasha would like to see CVMIC provide. This input is important as it will help to shape the future of CVMIC. I will be attending the meeting as a CVMIC member representative. In preparation for the meeting I ask for guidance as to what the City of Menasha is looking for from CVMIC in the future so that I can pass this information along.

To aid in your thought process you may consider Wikipedia definition of "Strategic planning" – an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy.



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Company Background

HISTORY

The Cities and Villages Mutual Insurance Company (CVMIC), incorporated by the Wisconsin Insurance Commissioner on September 14, 1987, was established to provide liability insurance and risk-management services to Wisconsin cities and villages ranging in population from 2,500 to over 100,000. Since its inception, the number of members has grown to 44.

Wisconsin municipalities are granted specific authority under Wisconsin law to organize municipal mutual insurance companies; in fact, that statute, enacted in 1977 by the State Legislature, encouraged the practice in response to major premium increases by commercial liability carriers. However, once the law was passed, the insurance industry went through a particularly "soft" cycle where commercial premiums actually decreased.

That soft cycle hardened abruptly in mid-1984. Municipal liability coverages were either curtailed or canceled altogether, and premiums skyrocketed for what little insurance was available. That constriction caused many communities to evaluate insurance alternatives.

These communities, now members of CVMIC, adopted insurance strategies to achieve budget stability, insurance-rate predictability, stable premiums and a constant high level of insurance protection. CVMIC became Wisconsin's first municipal mutual insurance company providing all lines of liability coverage and the country's fourth fully capitalized municipal mutual insurance company.

PURPOSE

CVMIC's purpose is not to avoid the commercial insurance market; rather, the program is structured to better utilize commercial reinsurance capabilities. The goal of the program is to reinsure when it is commercially available and economically feasible, and to rely on the self-funded, pooled coverage when it is not. CVMIC, as a financially independent and economically sound insurance company, enjoys direct access to the reinsurance market.

In the initial stages, participants formed an Intergovernmental Cooperation Commission known as the Wisconsin Municipal Insurance Commission. This group was entrusted with accomplishment of two tasks: first, to develop the structure of the Mutual and second, to issue a revenue bond to capitalize the organization. The revenue bonds were (and continue to be) secured by general obligation bonds issued by each member.

MEMBERSHIP BENEFITS
VITAL, RESPONSIVE INSURANCE PROGRAMS

Members enjoy the benefits of cost-effective group purchase insurance programs that address the essential areas of risk experienced by municipalities throughout the state:

Self-Insured Municipal Liability Insurance Program

- $5 million in limits, each and every covered occurrence, annual aggregate of 4 times the members self-insured retention.
- Customized Municipal Liability coverage form.
- Self-Insured Retention options, starting as low as $10,000 per occurrence.

Members Directory

View the CVMIC Members Directory

CVMIC Staff

CVMIC Newsletters

Member Newsletter Archive

Supervisory Newsletter Archive

CVMIC Case Studies

Click HERE to view our index of Case Studies

Meeting Calendar

Calendar of Events

Financial Reporting

Focus Groups

Click HERE to view our Focus Groups

- Three-year, guaranteed-cost plan.
- Rates set by actuary. Realistic rates supported by capitalization.

Public Entity Excess Liability Program

- For those municipalities wanting higher limits, this program provides excess liability of $5 million above the $5 million offered by CVMIC.
- Allows participants to take advantage of group-purchase structure and enjoy low cost effective rates not available individually.

Primary and Excess Workers' Compensation Programs

- Provides extremely low group-purchase rates, so members save money over individual purchase plans.
- Leads the industry in dividend programs. Depending on group performance, members can reap large rewards for good experience. (Primary program only).

Automobile Physical Damage Program

- Offers $5 million in per-occurrence limits and four separate deductible options. Members can choose the most cost-effective retention and coverage amounts in accordance with their individual schedules.
- "Replacement Cost" valuation applies to most scheduled vehicles, mobile equipment or specialized equipment. Members can issue eligible items at rates competitive with the Local Government Property Insurance Fund.

Boiler & Machinery Program

- Offers a $50 million per accident limit, and allows members to select individual deductibles.
- Allows participants to take advantage of a group-purchase structure and low, cost-effective rates not available on an individual basis.

Special Events Liability Program (TULIP)

- Low cost, convenient, short-term coverage designed specifically for purchase by tenants and users of the city-owned/operated facilities. Protects both sponsors and CVMIC members during concerts, weddings, parades, etc. Small Consultants Public Entity Program (SCOPE)
- Low cost, short-term coverage designed to provide professional liability (errors & omissions) for small firms (minority or women's businesses,) etc., providing service to the CVMIC members.

Employment Practices Liability Insurance Program

- Offers coverage under one master policy, limits of $1 million per member with deductible options.
- Participants receive attractive pricing, broad coverage terms and risk management services.

SELF-INSURED MUNICIPAL LIABILITY INSURANCE PROGRAM

CVMIC's Municipal Liability Insurance Program provides comprehensive protection for cities' and villages' legal liabilities by offering third-party loss coverages in critical risk-exposure areas:

- General Liability
- Automobile Liability
- Police Professional Liability
- Public Officials' Errors and Omissions
- Paramedic/EMT (Incidental) Medical Malpractice Liability

The program's structure can be best described as a fully capitalized risk-sharing pool. Each member pays an actuarially determined risk premium for coverage limits of $5,000,000 excess of its chosen self-insured retention.

CVMIC's program incorporates features that control the ultimate liability of its members. Rather than expecting its members to pay their SIR limits for every occurrence within a policy period, the policy provides an annual aggregate

equal to four times the members self-insured retention. After the aggregate limit has been met the policy will then respond on a first dollar basis.

To further protect CVMIC members' assets, the program is designed to reinsure, most of its exposures to risk, in the higher loss layers with commercial insurers and/or re-insurers. This allows members to enjoy the guaranteed-cost benefits of the commercial marketplace when it makes good financial sense to do so.

Top of Page

Company Background | Training | Loss Control Services | Insurance Products | FAQ