## CITY OF NOVI CITY COUNCIL
## JUNE 22, 2026

**SUBJECT:** Consideration of the City's 2026-2027 property and liability insurance coverage with Michigan Municipal League Liability and Property Pool in the amount of $607,328 and authorize the Mayor to signed the required Intergovernmental Contract to join the pool.

**SUBMITTING DEPARTMENT:** Finance

**KEY HIGHLIGHTS:**

- The City has used Travelers Insurance for property and liability coverage since 2024 (via Kapnick Insurance Brokers)
- Kapnick received one quote when it went to the market, that was from Travelers
- City Administration engaged the Michigan Municipal League Liability and Property Pool for a quote
- The Finance and Administration Committee (FAC) discussed this matter at their June 1, 2026 meeting
- Increase of 4%

**FINANCIAL IMPACT**

| | **FY 26/27** |
|---|---|
| **EXPENDITURE REQUIRED** | **$ 607,328** |
| **BUDGET (Property & Liability Insurance)** | |
| 101-266.00-820.000 (General) | **$460,000** |
| 271-000.00-820.000 (Library) | **$16,600** |
| 570-000.00-820.000 (Ice Arena) | **$14,000** |
| 574-000.00-820.000 (Meadowbrook) | **$52,400** |
| 592-536.00-820.000 (Water & Sewer) | **$70,000** |
| **APPROPRIATION REQUIRED** | **$0** |
| **FUND BALANCE IMPACT** | **$0** |

**BACKGROUND INFORMATION:**

The City maintains comprehensive property and liability insurance coverage encompassing all municipal operations, facilities, and assets. Coverage includes City-owned buildings, infrastructure, vehicles, fire apparatus, heavy equipment, employees, elected officials, volunteers, cyber liability, regulatory takings/inverse condemnation, and sewer backup liability. The insurance program also provides coverage for the Library, Ice Arena, Meadowbrook Commons, and Water Fund.

Insurance premiums are established by underwriters based on several factors, including claims history, annual operating budget, staffing levels, public safety personnel counts, and the value of insured property, equipment, and vehicles. Over the past two fiscal years, the City has been insured through Travelers Insurance following a competitive market review conducted by the City's broker, Kapnick Insurance Group. While Travelers has provided liability coverage comparable to the City's previous program, staff has experienced challenges related to claims administration and municipal-specific expertise.

As part of the Fiscal Year 2026-27 renewal process, the City evaluated a proposal from the Michigan Municipal League Liability and Property Pool (MML). The MML Pool was created specifically to serve Michigan local governments and focuses exclusively on municipal risk management. The program is administered by experienced personnel who specialize in government operations, municipal liability, claims management, and loss prevention.

Importantly, the MML proposal provides liability coverage limits substantially equivalent to the City's current insurance tower, with approximately $10 million in total liability protection. Therefore, the recommendation to transition to the MML Pool is not based on increased coverage limits, but rather on the value of partnering with an organization whose sole focus is serving municipal governments and supporting the unique legal protections afforded to public entities.

At the City's current deductible structure of $25,000, the MML proposal was competitively priced relative to Travelers. Staff further evaluated alternative deductible options and determined that increasing the deductible to $50,000 would reduce the City's annual premium while maintaining an acceptable level of risk retention. Based upon discussions with City leadership and a review of the City's historical claims experience, staff believes the increased deductible represents a prudent balance between premium savings and financial exposure.

An additional benefit of the MML Pool is its member dividend program. Beginning after the first renewal, participating members become eligible to receive a portion of any declared dividend based on the pool's overall performance. The City's share of any calculated dividend would increase over time, reaching 100 percent participation after the fifth renewal year. This feature provides the potential for future financial returns that are not available through a traditional commercial insurance program.

Based on the comparable coverage limits, specialized municipal expertise, improved claims support, competitive pricing, and the opportunity for future dividend participation, staff recommends transitioning the City's liability and property insurance program to the Michigan Municipal League Liability and Property Pool for Fiscal Year 2026-27.

**RECOMMENDED ACTION:** Approval of the City's 2026-2027 property and liability insurance coverage with Michigan Municipal League Liability and Property Pool in the amount of $607,328 and authorize the Mayor to signed the required Intergovernmental Contract to join the pool.