

Property & Casualty General Underwriting Guidelines

The following Underwriting Guidelines are established to assist the Underwriting Department in managing the risks included in the Maine Municipal Association's Property and Casualty Pool ("The Pool"). This is necessitated by the absolute need to create and maintain a financially sound self-insured retention fund and to satisfy the requirements of the Pool's excess insurers or reinsurers.

1. Membership in Maine Municipal Association ("MMA") and the Property and Casualty Pool

Public Self-Funded Pools are established under Title 30-A, Chapter 117, MRSA, Sections 2251-2256. This statute allowed the establishment of the MMA Property and Casualty Pool and identifies all municipalities as potential members of the Pool.

Quasi-public entities must be reviewed pursuant to the enabling legislation to confirm membership status. Establishment papers, incorporation papers and/or by-laws are requested and forwarded to MMA's Executive Office for forwarding to the General Counsel for determination of eligibility. The Executive Office will notify Risk Management Services ("RMS") in writing on the eligibility status of the applicant.

A two-year commitment is required of all new Members of the Property and Casualty Pool, along with the necessary resolution of the entity's governing body and a properly signed Public Self-Funded Pool Contract Agreement. After the initial two-year commitment, a member must provide not less than 60 days written notice to the Pool of its intent to leave as noted in the Public Self-Funded Pool Contract Agreement.

A Board of Directors who are elected and appointed public officials in Maine governs the Pool. A majority of the Board members must be participants in the Pool. In addition, the Board membership includes two public members who represent the interests of the community at large.

The Pool benefits from careful financial management. MMA's Risk Management Services Department, under the direction of experienced insurance professionals, conducts the day-to-day operations of the Pool.

2. Entity Requesting Quotation

Each entity will be considered based upon its own merits, physical condition of the property and individual risk characteristics. The RMS Underwriting Department will carefully review all applications for acceptability. Factors to be reviewed include currently valued insurance carrier loss history, schedules of real and personal property, evidence of appropriate internal controls for the handling of money, and compliance with loss control recommendations made by prior insurers.

3. Coverages

The Property and Casualty Pool offers the following core coverages, when applicable, to the member:

- a) **Property Coverage** - for damage of direct physical loss unless specifically excluded. Coverage is available for building and contents, computer equipment, fine arts, valuable papers, accounts receivable, transit, extra expense, loss of rent, loss of business income, forest fire suppression costs, automobile physical damage, and mobile equipment.
- b) **Crime** - for **employee** dishonesty, forgery, theft, and faithful performance of duties as defined in Title 30-A, MRSA, Section 5601 and Title 36, MRSA, Section 755.
- c) **Equipment Breakdown** - for mechanical breakdown, electrical system failure, short circuits to phone and dispatching systems, pump failures, and physical damage, extra expense and expediting expense for boilers and other machinery.
- d) **Liability Coverage** - for general liability, automobile liability, uninsured motorists coverage, law enforcement liability, ambulance/nurse malpractice liability, host liquor liability, firefighters legal liability, public officials and employment practices liability.

The limit of liability for claims brought under the Maine Tort Claims Act (MTCA) is currently \$400,000 per occurrence as provided by statute.

Certificate Limits:

- Automobile Liability - \$400,000
- Except for Automobile Liability, a \$2,000,000 limit of liability is provided for liability claims outside of the Maine Tort Claims Act. There is no aggregate liability limit.

Liability coverage includes Employee Benefit Liability coverage on a claims made basis.

These core coverages are offered as a package. None can be written on a stand-alone basis. There are additional optional coverages available.

Coverage will only be offered using the Property and Casualty Pool Coverage Document. The Coverage Document was prepared by the Pool's coverage attorneys and is reviewed annually to specifically meet the needs of municipalities and quasi-public entities.

Any coverages or limits that are outside the Property and Casualty Pool program may be referred to MMA's current broker for coverage consideration.

4. Applications

All Members must complete appropriate applications for all new and renewal business. The RMS member services staff is available for assistance in completing the applications. The underwriter will review the application for completeness and accuracy. The Underwriting Department will contact the applicant for clarification of any items that appear questionable and appropriately document the file.

5. Loss History

Each Member must provide 5 years of currently valued insurance company loss runs with their applications in order to be considered for coverage.

6. Quotations

All quotations for new and renewal business, including additions or revisions to coverage, must contain an expiration date of 30 days. All quotations will be confirmed in writing and must include the following statement: "This quotation is valid for a period of 30 days."

If no response is received within the thirty-day time frame, the Member will be contacted to inform them that the quotation has expired.

Consideration can be given to extending a quotation for an additional thirty days, but in no event will a quotation remain open for more than sixty days. Approval of the Underwriting Manager and/or Director of Risk Management Services is required to extend a quotation beyond thirty days.

7. Underwriting Authority

An Underwriter can only quote and bind coverage in the Pool with authorization from the RMS Director or Underwriting Manager as delegated in the written Letter of Authority. Letters of Authority will be reviewed annually and must be approved by the Director of Risk Management Services, who retains the ultimate underwriting authority.

8. Binding

Coverage cannot be bound without the written approval of the RMS Underwriting Department.

9. Coverage

Coverage is as stated in the Property & Casualty Pool coverage document specifically issued to the Member. The Coverage Document specifically includes the coverage certificate, extensions, exclusions, endorsements, and deductibles applicable to that Member.

10. Loss Control

All Members will be subject to loss control and loss prevention inspections. Coverage may be dependent upon completion of written recommendations within a reasonable period of time. Failure to comply with recommendations may lead to cancellation of coverage.

The Underwriting Department may require a complete loss control report prior to binding any Member or risk.

11. Claims

The RMS Claims Department staff, and its assigned investigators and attorneys, will handle all losses. The Pool does not use municipal attorneys for defense of claims and reserves the right to appoint counsel in each and every case.

Claims reserving practices are regularly audited and examined by consulting actuaries and the reinsurer's auditors to ensure adequate loss reserves and appropriate claims handling.

12. Contributions

Contributions by Members of the Pool must be adequate to meet fixed costs and anticipated claims. All Members will be individually rated based upon identified exposures.

13. Deductibles

Deductible options are available subject to required minimum amounts on specific lines of coverage. General Liability and Automobile Liability coverages are generally written without a deductible.

14. Dividends

In order to encourage a commitment to good risk management and loss prevention practices and to act as an incentive for Members to participate in the Pool, a dividend may be available based on:

- Loss experience and
- Length of participation in the Pool and
- Participation in more than one RMS group program.

Dividend recommendations are reviewed and approved by the Board of Directors of the Pool each year.

15. Cancellation

Maine Cancellation/Non-Renewal regulations will be applied when any Member is no longer in compliance with the Pool underwriting criteria and the terms and conditions of the Public Self-Funded Pool Contract Agreement.

Non-renewal or cancellations require the prior approval of both the Underwriting Manager and the Director of Risk Management Services.

Property Coverage General Guidelines

All property exposures are subject to underwriting consideration for coverage.

1. Valuation

Buildings and contents are covered on a replacement cost basis and must be reported on a 100% replacement cost basis except as noted below.

The Loss Control Department will provide independent building valuations for buildings valued over \$100,000 to help the Underwriting Department and the Member establish an estimated replacement value for buildings.

A Blanket Building and Contents Endorsement can be issued if the building and contents values reported by the Member are acceptable to RMS. A signed statement of values is required for this endorsement.

Substandard buildings are to be covered for actual cash value (replacement cost less depreciation) only and will not be included in the Blanket Buildings and Contents coverage. Any building considered unacceptable to the Pool may be excluded from coverage or have its coverage(s) amended at any time during the coverage term subject to the coverage certificate's terms and conditions. Written notice will be sent to the member in advance of making the change. The underwriter may assist the Member in finding appropriate coverage outside the Pool.

Buildings listed on the National Register of Historical Places will not be included in the Blanket Building and Contents coverage. The Building Reproduction Cost endorsement will be added for these buildings.

Frame, unprotected structures will be included for coverage, based on the general condition of the property. Updated plumbing and wiring and the condition of the roof will be among the considerations when underwriting buildings over 50 years of age.

2. Vacant Property and Tax Acquired Property

Vacant and tax acquired properties usually present more hazardous exposures than property that is occupied and serving its normal useful purpose. These buildings are highly susceptible to loss and require special underwriting treatment.

All vacant and tax acquired property will be written on an actual cash value basis with a stated limit of liability. Subject to a \$1,000,000 aggregate limit, the maximum amount payable under the Pool coverage for each property acquired during the coverage term through any method of tax lien mortgage foreclosure is the amount of the unpaid tax lien mortgage on the property at the time of the foreclosure, but only if the direct physical loss or damage to such property is caused by a covered peril during the 90-day period immediately following the foreclosure.

There will be a surcharge to the rate to reflect the additional exposure to the Pool.

Tax acquired property formerly or presently occupied for business, commercial or industrial purposes will be written with a \$5,000 minimum deductible. Higher deductibles may be required depending upon the occupancy and condition of the property. Any building considered unacceptable to the Pool may be excluded from coverage with advance written notice to the Member.

3. Newly Acquired Property

Newly acquired property will be automatically covered for 180 days from the date of acquisition for an amount not to exceed \$1,000,000. The location will be subject to underwriting considerations when it is added to the program.

4. Other Property

Other property may be covered as outlined in the MMA Property & Casualty Pool coverage document.

5. Automobile Physical Damage

Valuation is actual cash value on all vehicles unless agreed value is requested by the Member and approved by the Underwriting Department.

Liability Coverage General Guidelines

All liability exposures are subject to underwriting consideration for coverage.

1. Special Considerations

Special underwriting considerations (deductibles, coverage limitations, exclusions) will be given to those operations that present a possible catastrophic exposure to the Property and Casualty Pool and may be excluded from coverage with advance written notice to the Member. The underwriter may assist the Member in finding appropriate coverage outside the Pool.

2. Coverage Enhancements

An application must be completed and returned by the Member for coverage extensions. Final acceptance of coverage is subject to underwriting review and approval. Some examples are: Police Professional Liability, Public Officials Liability, Dispensing of School Medications, and Cyber Liability coverages.

3. Excess Casualty Capacity

Capacity beyond the \$2,000,000 limit available in the Pool is optional and subject to the requirements established by the casualty reinsurer.

4. Increase in Hazards

If there is an increase in hazard that is considered unacceptable to the Pool the hazard may be excluded from coverage or modify coverage(s) at any time during the coverage term subject to the coverage certificate's terms and conditions. Written notice will be sent to the member in advance of making the change. The underwriter may assist the Member in finding appropriate coverage outside the Pool.

Crime Coverage General Guidelines

All Crime exposures are subject to underwriting considerations for coverage.

1. A separate Crime Application must be completed and signed. The most recently completed independent financial audit must also be submitted along with the auditor's management letter including the reportable conditions and/or internal control deficiencies. The Member's written response to the letter must also be included.
2. Faithful Performance of Duty Applications must be completed and signed by all Town Clerks, Treasurers, Tax Collectors, Bookkeepers, Finance Directors and all of their Deputies. Additional applications may be required for other positions when appropriate.
3. Coverage may be restricted or eliminated at the discretion of the Underwriting Manager or Director of Risk Management Services when warranted.

Pricing Guidelines

1. Rates

RMS uses standard insurance industry rates as the basis for all lines of business.

2. Pricing

Pricing standards will be reviewed annually by RMS Management. The Underwriting Department will endeavor to maintain adequate contribution levels for all Members. It is a requirement of the Pool that current funding be adequate to meet all expenses and will fully cover the required loss fund. Any excess will be applied toward meeting the funding requirements set by the governing Board of Directors.

Individual Member pricing will depend upon the quality of the risk, loss experience and terms and conditions of coverage. Underwriters will document their pricing rationale for the Member based on risk and coverage characteristics.