

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

Presented By:

Timothy J. Miles, CPU, ARM
**CENTRAL ARKANSAS
RISK MANAGEMENT ASSOCIATION**
501 West Markham Street, Suite B
Little Rock, AR 72201-1490
Phone: 501-372-3300 Fax: 501-372-8060
CARMA@metroplan.org

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

INTRODUCTION

Over time Risk Management has replaced Insurance Management which replaced Insurance Buying, Insurance Management was appropriate when Loss Prevention measures were justified by premium savings. The risk management function extends beyond insurance and premium justified loss prevention; it requires dealing with all participating members in matters beyond the scope of insurance, The essence of risk management as a practical concept is the coordination of the means of control towards a defined integral objective accomplished by an organization appropriate to that end. Risk Management continues to demand increased vigilance on the part of all operations in the developing global economy.

Increasingly Risk Management is a discipline being espoused by municipal entities nationally as evidenced by the frequent articles in various publications directed toward local governments. The importance of addressing risk management is highlighted by the judgments being rendered almost weekly against local governments, elected and appointed officials and the employees of these governments by the Federal Courts both in Arkansas and across this great Country of ours. While it is true that the State of Arkansas provides some measure of protection to its local governmental units through the Arkansas Tort Immunity Act, Ark. Code Ann. §§ 21-9-301 through 21-9-304. It is important to realize that those immunities do not apply if a lawsuit is brought outside of the State of Arkansas or if an action is brought in the Federal Court System. Additionally even those actions brought within the State of Arkansas require that an answer be filled, even if it is merely a Motion for Summary Judgment advising the Court of the Sovereign Immunities enjoyed by the local governing body. These associated legal expenses are often unanticipated costs which can adversely affect any government's budget.

Insurance was once the favored methods of transferring this exposure, Several years ago however insurance contracts were written, particularly in the public sector, with reduced coverages and for increased costs—some entities were unable to secure liability coverage at any price.

In 1985, in recognition of the liability crisis occurring at the time, a number of municipal entities in the central Arkansas area banded together to take control of their insurance and risk management needs, Central Arkansas Risk Management Association has as its stated purpose to jointly provide property and casualty protections and to administer some or all excess insurance coverages and protections of the Participants in the program, This program is authorized under the "Interlocal Cooperation Act", Ark. Code Ann. §§ 25-20-101 through 25-20-108. The Association itself does not offer, provide or guarantee coverages but is merely a mechanism by which the Participants address their joint and individual risk management concerns.

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

Some of the advantages which are enjoyed by virtue of participation in the Central Arkansas Risk Management Association program are:

1. Combining all casualty coverages under one program.
2. Reduction of costs by eliminating duplication of coverages which may occur when there are multiple policies of insurance.
3. Requires only one bid request for all lines, thereby reducing the costs and problems associated with multiple bid processes.
4. Includes more coverages and less exclusions than are currently available to most entities because of cost restrictions and policy limitations.
5. One local source availability for loss control, claims reporting, and loss adjustment.
6. Monthly reporting package to facilitate timely loss control activities by the member entities.
7. Blanket coverage eliminates the necessity of mid-term endorsements which are required by most commercial insurance carriers.
8. Automobiles acquired throughout the Program Year automatically added without endorsement and for no additional premium thereby reducing paperwork requirement attendant with adding and deleting vehicles and tracking additional and return premiums.

Additional advantages associated with participation in the Central Arkansas Risk Management Association program will be discovered as you review the following pages for a more complete disclosure of the coverages and operations of the program as well as the features and benefits available to those entities through participation.

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

2016/2017 RETENTION LEVELS

Property (TIV* ≤ \$10 mil)	\$ 100,000	Limit per Building/Location*
(Wind/Storm)	\$ 250,000	Limit per Building/Location*
Property (TIV* ≥ \$10 mil)	\$ 250,000	Limit per Building/Location*
(Wind/Storm)	\$ 1,000,000	Limit per Building/Location*
	\$ 250,000	Flood Aggregate (plus SIR)
	\$ 250,000	Earthquake Aggregate (plus SIR)
Extra Expense	\$ 100,000	Each Occurrence
Valuable Papers	\$ 100,000	Each Occurrence
Accounts Receivable	\$ 100,000	Each Occurrence
General Liability	\$ 250,000	Each Occurrence
(Claims Made Form)		Bodily Injury & Property Damage
Police Professional	\$ 250,000	Each Occurrence
(Claims Made Form)		Bodily Injury & Property Damage
Automobile Liability	\$ 250,000	Each Occurrence
		Bodily Injury & Property Damage
Auto Physical Damage	Actual Cash Value	
Loss of Money-		
Inside & Outside	\$ 50,000	Each and Every Loss
Employee Fidelity	\$ 100,000	Each and Every Loss
Electronic Data Processing	\$ 100,000	Each Occurrence
Equipment, Media		
& Extra Expense		
Miscellaneous Contractors'	\$ 100,000	Each and Every Loss
Equipment		
Radio Equipment	Included	Each and Every Loss
Deductible	\$ 1,000	Each Occurrence
All First Party Losses		
(Except Auto Comprehensive-ACV)		

*TIV: Total Insurable Value

**Excess Limits are provided up to the Actual Replacement Cost Limits of your property as per your Statement of Values, \$75,000,000 per location for buildings and contents; electronic data processing equipment has an additional \$400,000 per occurrence; contractors' equipment has an additional \$900,000 per occurrence.

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

WHAT IS INCLUDED

- Buildings
- Contents: Including Mobile Equipment, Radio Equipment, EDP Equipment, and all other Miscellaneous Equipment
- General Liability
- Police Professional Liability
- Firefighters' Professional Liability
- Automobile Liability
- Auto Physical Damage - Collision and Comprehensive
- Fine Arts
- Glass -(includes Stained Glass) -All buildings
- New Construction -Builders Risk up to \$2,500,000*
- Special Events
- Incidental Malpractice
- Watercraft (Limited to boats less than 26 feet in length)
- Discrimination Coverage
- Copyright Infringement and Piracy
- Money & Securities -Inside and Outside
- Employee Dishonesty & Faithful Performance Bonds
- Property in Transit
- Errors and Omissions

* Values in excess of \$250,000 must be reported and appropriate charges will be made.

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

WHAT IS NOT INCLUDED

- Physical Damage to roads, bridges, dams, reservoirs, aircraft, underground exposures, animals, standing timber, growing crops
- Nuclear Damage and/or Liability
- Pollution, including fines and penalties
- Wear, tear and deterioration
- Prior Acts
- War Risks
- Hospital or Clinical Malpractice
- Airport Liability (unless specifically scheduled)
- Utilities - Failure to supply
- Inverse Condemnation
- Workers' Compensation
- Boiler Machinery -available separately
- Sexual Misconduct
- Asbestos Bodily Injury / Property Damage
- Limitations apply to losses on waterborne shipments in excess of \$500,000
- First \$1,000 of any property loss

**The above is not an all-inclusive and exhaustive listing of the exclusions but is merely an indication of the types of hazards, perils, claims and losses which do not fall within the CARMA program.*

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

COMPARISON OF COVERAGES

Property Provisions	CARMA Program	Current Program
Blanket Coverage on Building & Contents	YES	
Replacement Cost on Building & Contents	YES	
Blanket Coverage on Fine Arts (All locations/No scheduling)	YES	
Glass & Stained Glass Coverage (All locations)	YES	
Money & Securities (All locations)	YES	
Waiver of Co-insurance Clause	YES	
Unrestricted Automatic Coverage (to SIR) for newly acquired properties, including contents*	YES	
All Risk Coverage	YES	
Worldwide Coverage		
Replacement not limited to rebuilding at involved site or with same materials	YES	
Inland Marine -No scheduling	YES	
Property in Transit wherever located	YES	
Valuable Papers	YES	
EDP Equipment	YES	
Builders' Risk	YES	
Extra Expense	YES	
Auto Physical Damage	YES	

**Newly acquired property must be reported within 90 days of acquisition. During initial 90 day period coverage is automatic (not free), but such automatic coverage does not relieve the Participant of the duty to promptly report the acquisition of new property.*

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

COMPARISON OF COVERAGES

Property Perils Covered	CARMA Program	Current Program
Worldwide Coverage	YES	
Burglary, Robbery, Theft (all locations -full property limit)	YES	
Flood (see page 9)	YES	
Earthquake (see page 9)	YES	
Landslide	YES	
Backup of Sewers	YES	
Rising Waters	YES	
Building code changes included (limited to \$2,500,000)	YES	
Demolition (limited to \$2,500,000)	YES	
Wave Wash	YES	
Wind driven rain	YES	
Loss by animals	YES	
Loss by freezing	YES	
Unoccupied or vacant properties (no notice)	YES	
All properties included - Automatic coverage (see excess policy)	YES	
No special endorsement required	YES	

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

COMPARISON OF COVERAGES

Liability Provisions	CARMA Program	Current Program
Premises & Operations	YES	
Personal Injury, including: libel, slander, defamation of character, false arrest, false imprisonment, invasion of privacy, improper detention, eviction, malicious prosecution, humiliation, and violation of property rights	YES	
Special events	YES	
Advertising Liability	YES	
Auto Liability (owned, non-owned, hired)	YES	
Bailee Liability for impounded property	YES	
Broadcast Liability	YES	
Conflict of Interest	YES	
Contractual Liability -oral & written	YES	
Care, Custody & Control	YES	
Explosion, Collapse, Underground property damage	YES	
Employee Benefit Liability	YES	
Garagekeepers' Legal Liability	YES	
Owners, Landlords & Tenants	YES	
Product Liability -Completed Operations	YES	
Publishers Liability	YES	
Owned & non-owned watercraft	YES	
Assault & Battery At direction of Public Official to prevent riot & civil commotion	YES	
Police Professional	YES	
Injury to Volunteers	YES	

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

EARTHQUAKE COVERAGE

Central Arkansas Risk Management Association has arranged for an aggregate limit of \$25,000,000 in coverage for our earthquake exposure. Briefly this means that in the event of an earthquake, the participants are covered for damages up to \$25,000,000 in damages in any one year. [n the event of a “massive” earthquake, this amount would be allocated across all members. The allocation would be based on extent of loss, balanced against the individual member’s contribution.

If these limits do not provide the comfort level desired by any individual member, additional coverages may be available on an individual basis. It is anticipated that the broker will be able to place coverage in the amounts desired by a Participant at reasonable rates.

FLOOD COVERAGE

Central Arkansas Risk Management Association has also arranged for an aggregate limit of \$25,000,000 for our flood exposures. Just as in the case of the Earthquake Coverage, this amount is an annual aggregate limit. Similarly the \$25,000,000 coverage would, in the event of a major flood, be allocated across all members based on the member’s proportionate contribution to the CARMA program as a whole and the extent of loss.

This level of coverage can also be supplemented on an individual basis, just as with the Earthquake Coverage, if the Participant so desires. It is expected that additional coverages would be available at fair and equitable rates through the insurance broker based in part on the level of coverage provided through the CARMA program.

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

Comparison of Deductibles

Type Claim	CARMA	Your Program
General Liability	\$0	
Auto Liability	\$0	
Police Profession	\$0	
Property	\$1,000	
Earthquake	\$1,000	
Flood	\$1,000	

Comparison of What is Covered

Type Claim	CARMA	Your Program
Vehicles	All owned	
Property*	All owned	
Earthquake	All owned	
Mobile Equipment	All owned	
Watercraft	All owned	
Radio Equipment	All owned	

*CARMA pays replacement cost on all buildings and contents regardless of age, as opposed to actual cash value which is the practice with some programs.

Comparison of Limits

Type Claim	CARMA	Your Program
Liability (if tort immunity is not available)	\$250,000 each occurrence	
Annual Aggregate	No Limit	
Auto Liability (in state)	25/50/25	
Auto Liability (out of state)	Up to \$250,000	
Earthquake	\$25 million in program	
Flood	\$25 million in program	

Comparison of Additional Points

Type Claim	CARMA	Your Program
Valuation	Replacement Cost	
Co-Insurance	N/A	
Volunteers	Covered	
Automobiles	All owned	
Emergency Vehicles	Covered	

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

COMPARISON OF NAMED INSURED COVERAGES

Central Arkansas Risk Management Association

Central Arkansas Risk Management Association and its participating municipal member entities, consisting of cities, counties, school districts and special districts have chosen to include in the coverage not only the member entities, but also the governing Boards, Councils and Quorum Courts. Additionally included individuals are all elected and appointed officials, employees and agents acting in the course and scope of their employment. Also, all appointed officers, employees, judges, public defenders, and volunteers, both individually and collectively, when acting within the course of their employment and in the performance of their duties.

Your Current Program

The “Named Insured” will vary depending on the specific insurance contract and further varies by individual insurance company policy or operational preference. The “Named Insured” may be also be subject to a variety of qualifications, conditions and limitations as to persons, positions and activities covered, again according to individual insurance company practices and preferences.

CLAIMS ADMINISTRATION & INFORMATION SERVICES

Claims Handling:

Claims Administration is currently provided by Central Adjustment Company, who maintain an office in Little Rock. They provide prompt, professional and personal attention to all claims. The more routine claims are expeditiously handled by that office with minimal involvement by the Participant.

Major claims, some of the more “unusual” claims and those claims involving litigation (or the potential for litigation) are thoroughly investigated. In addition, when warranted, outside adjusters may be involved in the investigation process.

Central Adjustment Company is a multi-line claims service organization providing claim services to both insurers and self-insurers. Central Adjustment Company has extensive experience in providing claims services to a variety of public entities in Arkansas, including cities, counties and school districts. In addition, Central Adjustment Company provides claim administration services to a number of the public utilities and corporate citizens of Arkansas.

Information Processing:

Claims information when received by Central Adjustment Company is entered into a “state of the art” risk management information system. This RMIS records such information as the claimant’s name, department or office where the claimant works, type of claim, accident date, cause of loss, payments made to date, remaining reserves and other appropriate information.

Each month, Participating members are furnished with an updated report of their claims to facilitate tracking of those claims by the members and also for use by the Participant for their own loss prevention activities. This report, as alluded to earlier, shows frequency and severity type information by department.

These services are a vital part of the CARMA program which have contributed to the tremendous success over the life of the program.

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

TORT IMMUNITY AND ITS APPLICATION TO CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

The Doctrine of Tort Immunity has its roots in English Common Law, the basis for many of our laws in the United States. Under the old English Common Law was a provision known as Sovereign Immunity, which derived its name from the fact that the sovereign, or king, exercised all powers of government and “the king can do no wrong.” As cities and towns were established by royal edict, they inherited the same immunity. The rule was eventually brought to this country and extended to all types of governmental units.

In Arkansas, Act 165 of 1969 (Ark. Code Ann. §§ 21-9-301 through 21-9-304) formalized the immunity from tort liability of local political subdivisions. This Act stated “It is declared to be the public policy of the State of Arkansas that all counties, municipal corporations, school districts, special improvement districts, and all other political subdivisions of the state shall be immune from liability for damages. No tort action shall lie against any such political subdivision because of the acts of their agents and employees.”

As currently interpreted, the Act appears to provide complete and total immunity from liability for injuries arising from both governmental and proprietary functions. There is however one specific exception contained within the Act and that applies in the area of motor vehicle liability. Ark. Code Ann. § 21-9-303 states that “(A) All political subdivisions shall carry liability insurance on their motor vehicles or shall become self-insurers, individually or collectively, for their vehicles, or both, in the minimum amounts prescribed in the Motor Vehicle Safety Responsibility Act.”

A couple additional instances in which immunities would not apply are if a lawsuit were brought in another state or if a lawsuit is brought in which the action is heard in the Federal Courts.

Central Arkansas Risk Management Association is an unincorporated association composed of political subdivisions and as such enjoys the same immunities as its member entities. In the Intergovernmental Cooperative Agreement on file with the Secretary of State, CARMA and its members have specifically stated their intention that participation in CARMA will not constitute, nor should it be construed as, a waiver of immunities or defenses available under Arkansas’ tort immunity act, or any other. This same intent is contained within the By-Laws governing the operations of the Association.

Notwithstanding the immunities statutorily provided, CARMA recognizes that it is often morally and ethically responsible behavior on the part of a governmental entity to hear and settle tort claims against them and through participation in CARMA, such a mechanism is provided. Indeed CARMA and its members have chosen a self-insured retention of \$250,000 in many of the exposure areas. This should not be construed to mean that \$250,000 is available to pay any and all claims, but rather that in the event a lawsuit is brought in Federal Court or should an immunity not be upheld in a particular area, CARMA and its participating members have provided for that contingency.

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

INSURANCE COMPANY SELECTION

Best's Insurance Reports is a publication by the A. M. Best Company, Inc. of Oldwick, New Jersey. A. M. Best Company is recognized as an objective, third-party source of information and ratings on thousands of foreign and domestic insurers. Each year A. M. Best Company gathers and compiles information from a variety of reference sources and periodicals in providing annually updated information. A. M. Best Company ratings are based on extensive analysis (A. M. Best maintains one of the largest insurance financial databases) of not only the financial performance of the company being reviewed, but also the history, management and operations of the insurer, in addition to the insurer's underwriting experience and its reinsurance program. **Best's Ratings and Financial Size Category** designations are internationally accepted as benchmarks of financial and operating performance for insurance companies.

While great emphasis is put in the ratings of A. M. Best Company by all in the insurance and risk management field, no guarantee is made concerning the accuracy of the ratings nor the financial stability of the insurers selected.

An additional admonition in comparing programs is in the area of excess or surplus line carriers. Some of these insurers are *NOT* ADMITTED and as a result coverage may not be provided by the state guarantee fund in the event of an insolvency. Additionally the Insurance Commissioner may have limited regulatory oversight and investigatory powers to deal with NON-ADMITTED carriers should a problem arise.

BEST'S RATINGS	
Ratings classifications are:	
A++, A+	Superior
A, A-	Excellent
B++, B+	Very Good
B, B-	Fair
C++, C+	Marginal
C, C-	Weak

It is therefore recommended that in evaluating various insurance and risk management options, you will want to conduct your own inquiries and research to ascertain the stability and solvency of proposed insurers prior to committing to any risk financing program.

The insurer chosen by CARMA to provide their excess property coverage for the 2004/2005 Program Year is Travelers Indemnity Company, one of the Travelers Insurance Companies, which has the following A. M. Best classifications:

<u>Best's Rating</u>	<u>Financial Size Category</u>
A+ (Superior)	XV

(The table on the next page shows the groupings used by A. M. Best Company.)

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

FINANCIAL SIZE CATEGORY

(in \$ Millions)

Best's Financial Classifications are as follows:

Class I	Up	to	\$1
Class II	\$1	to	\$2
Class III	\$2	to	\$5
Class IV	\$5	to	\$10
Class V	\$10	to	\$25
Class VI	\$25	to	\$50
Class VII	\$50	to	\$100
Class VIII	\$100	to	\$250
Class IX	\$250	to	\$500
Class X	\$500	to	\$750
Class XI	\$750	to	\$1,000
Class XII	\$1,000	to	\$1,250
Class XIII	\$1,250	to	\$1,500
Class XIV	\$1,500	to	\$2,000
Class XV	\$2,000	to	more

CARMA

CENTRAL ARKANSAS RISK MANAGEMENT ASSOCIATION

CENTRAL ARKANSAS RESOURCE CONSERVATION & DEVELOPMENT COUNCIL

Bruce Leggitt, Director
110 South Amity Road
P.O. Box 100
Conway, AR 72032

CENTRAL ARKANSAS RISK MANAGEMENT ASSN

Timothy J. Miles, CPCU, ARM
501 West Markham, Suite B
Little Rock, AR 72201
379-1118 / FAX 372-8060

CITY OF SHANNON HILLS

Mayor Mike Kemp
City of Shannon Hills
10401 High Road East
Shannon Hills, AR 72103
455-2003

EL PASO FIRE DEPARTMENT

Eddie Heater
P.O. Box 53
El Paso, AR 72045

JACKSONVILLE NORTH PULASKI SCHOOL DISTRICT

Dr. Brian Duffie
1414 W Main St
Jacksonville, AR 72076
501-241-2080

METROPLAN

Tab Townsell, Executive Director
501 West Markham, Suite B
Little Rock, AR 72201
372-3300

MID-ARKANSAS WATER ALLIANCE (MAWA)

Jim McKenzie
METROPLAN
501 West Markham, Suite B
Little Rock, AR 72201
372-3300 FAX 372-8060

PULASKI COUNTY BRIDGE PUBLIC FACILITIES BOARD

(Junction Bridge)
Barbara Richard
Pulaski County Road & Bridge
3200 Brown Street
Little Rock, AR 72204

PULASKI COUNTY SPECIAL SCHOOL DISTRICT

Scott Bardin
Purchasing Director
P.C.S.S.D.
P. O. Box 8601
Little Rock, AR 72216
490-2227, ext. 247 / 490-2000

RECYCLE SALINE

A SOLID WASTE DISTRICT

Michael Grappe, Director
114 West Sevier St.
Benton, AR 72015
501-776-2533 FAX 501-776-2553

REGIONAL RECYCLING & WASTE REDUCTION DISTRICT

Desi Ledbetter
300 Spring Building, Suite 200
Little Rock, AR 72201
340-8787

ROCK REGION METRO

Jarod Varner
901 Maple Street
North Little Rock, AR 72114
501-375-6717

