

## HOW DO WE HANDLE TAX ACQUIRED PROPERTY?

Municipalities frequently acquire property through tax liens. There are two insurance issues to be considered with respect to tax-acquired property.

First, the provisions of the Maine Tort Claims Act, Title 14 M.R.S.A. Sec. 8104-A (2)(B), make municipalities liable for third party injuries or property damage caused by negligence on the part of the municipality sixty days after acquisition. The MMA Property and Casualty Pool program provides automatic liability coverage for such properties. However, we must be notified when the properties are acquired. If the properties are sold prior to the next anniversary of the coverage, there will be no additional premium contribution required for these properties. There will be a contribution required for these properties as of the next July 1 anniversary.

The second issue has to do with property insurance. Municipalities take title on the date the tax lien forecloses. The MMA Property and Casualty Pool will provide coverage on tax acquired property for Actual Cash Value only, rather than the replacement cost coverage generally provided for municipal buildings. Risk Management Services must be notified immediately of the acquisition of these properties. An additional premium will be charged, based on current rates in the program, prorated until the next July 1.

If the tax-acquired properties remain on the municipality's schedule of properties at the July 1 renewal date, Risk Management Services will consider continuing coverage and will determine the premium

contribution required for each such property on an individual basis.



Tax acquired property occupied for business, commercial and industrial purposes will require special handling. The minimum property deductible for commercial property is \$5,000. Higher deductibles may be required, depending upon the occupancy and condition of the property. All Risks coverage may not be available. Each situation will be evaluated on its own merits.

Risk Management Services wants to assist members of the Property and Casualty Pool by providing appropriate coverage for these properties without negatively impacting the program. Vacant or unoccupied properties are highly susceptible to loss. We urge participating members of the program to call us to discuss coverage for tax-acquired property as early as possible. Please remember that there is no automatic property coverage for tax-acquired property.

Municipalities who are not participating members of the MMA Property and Casualty Pool should contact their local insurance agents or insurance companies to determine their procedures for providing coverage for tax-acquired properties.

Please feel free to contact the Risk Management Services Underwriting Department at 1-800-590-5583 with any questions you may have. We will be happy to assist you.

## MAY 1st DEADLINE



If you have been thinking about applying for a Safety Grant, time is short to meet the deadline for submitting your application. Awards are made in May and October each year and the upcoming deadline for submissions is May 1, 2002.

Only current participating members of the Maine Municipal Association Workers Compensation Fund are eligible to receive a Safety Grant. Participating members are eligible to win awards in amounts up to \$2,000 per project. The award is made on a 2:1 ratio basis (the member's expenditure would be \$1,000). Each participating member may be awarded a maximum of \$6,000 annually.

To qualify for consideration the purchase must directly enhance the health and safety of employees. The equipment or service cannot be something that would be considered a normal purchase of equipment such as weapons for police officers or routine expenses for the conduct of your operations such as equipment repair or licensing. Disposable personal protection equipment such as hardhats, safety shoes, gloves or glasses will also not qualify.

To obtain an application or receive further information about this program, please contact your Loss Control Consultant or the Risk Management Services Loss Control Department at 800-590-5583.

### *The Municipal Risk Manager*

The Municipal Risk Manager is published seasonally to inform you of developments in municipal risk management which may be of interest to you in your daily business activities. The information in these articles is general in nature and should not be considered advice for any specific risk management or legal question; you should consult with legal counsel or other qualified professional of your own choice.

*Editor:* Kathryn Norton, CIC,  
MMA Risk Management Services  
P.O. Box 9109, Augusta, ME 04332-9109.  
1-800-590-5583 or (207) 626-5583.

*Managing Editor:* Ruth Cox

## PROPERTY & CASUALTY POOL RENEWAL

As spring (maybe) arrives, we look forward to warmer temperatures, balmy breezes and.....the renewal applications from the Underwriters for the MMA Property & Casualty Pool! All of the participating members of the Pool have received their applications and at this point we have received 34% of the completed applications. If yours is among the applications that have not yet been returned, remember that the renewal date is July 1, 2002 and we depend upon the information you provide to ensure the accuracy of your coverage.

The commercial insurance market has changed considerably since this time last year. Even before the events of 9/11 most commercial insurers were raising rates as a response to deteriorating claims experience and loss of investment income. Since then, the impact of the losses that resulted and uncertainty about the future have increased the pressure to raise rates.

Happily, although not entirely immune to the changes in the market, the Pool has always maintained a conservative rating structure with the goal of smoothing out the sudden dips and peaks in rates that typify certain segments of the commercial insurance market. After several years of steadily decreasing rates, it became necessary for the Pool to increase its rates in 2001 and again for the 2002 renewal. We anticipate an average rate increase of 20% for Pool members this year.

The Underwriting Staff is available to answer questions and provide any assistance our participating members may need with the completion of their renewal applications. Just give us a call at 800-590-5583.



## WE'RE COVERED FOR THAT, RIGHT?

Many Towns support a number of volunteer organizations with money appropriated at their Town Meeting or by action of their Town Council. The MMA Risk Management Services staff receives many questions about coverage for these organizations that have a connection to the Town but who are not directly under the Town's jurisdiction.

For example, many Towns in Maine have some type of "Old Home Days" or "Homecoming" events during the summer. These events are often organized by a group of volunteers, held on Town owned property, and receive a donation of money from the Town as authorized at the Town Meeting or by the Council annually. The volunteers usually also raise additional funds for the event and may charge other organizations and vendors a fee to participate. The volunteers manage all of the proceeds of their fund raising and the donation they receive from the Town at their own discretion. They also receive and manage any profit that may result from the event.

It is often assumed both by the members of such volunteer groups, and sometimes by Boards of Selectmen and Councils as well, that these groups and the event they plan are covered under the Town's insurance. That is not automatically the case, whether the Town participates in the MMA Property & Casualty Pool or purchases commercial insurance.

Volunteer Groups that are independent of the Town in their operations are sometimes included in a Town's coverage, by name, on commercial insurance policies. When a Town does that, it is important to understand what it means. A commercial insurance policy provides



a per occurrence limit of liability and an annual aggregate limit of liability. When another named insured is added to a policy, the per occurrence and annual aggregate limits are shared. In other words, if a claim is

presented as a result of an event involving both the Town (it is held on their property) and the volunteer group (they are responsible for the activity) it is likely that both the Town and the volunteer group will be named by a claimant as responsible for the property damage or bodily injury suffered. Under such circumstances, there is one liability limit available to pay the claim. Should a damage award result for the Town and for the volunteer group, there is a single limit of liability to pay the awards. It is quite possible that the single liability limit will not be sufficient to pay both awards, leaving each with additional, uncovered, payment due.

For municipal MMA members participating in the Property & Casualty Pool, coverage for such independent volunteer groups is not included. To be included under the Town's Pool coverage, an organization must truly be under the jurisdiction of the Town. It cannot be a separate legal entity from the Town. Its funds must be part of the Town's budget and the Selectmen or Council must have authority over and responsibility for its activities.

Associate Membership in MMA is a prerequisite for participation in all Risk Management Services self-insurance programs for independent organizations. Some Associate Members of MMA do not qualify for participation in all of the Risk Management Services self-insurance programs. Each program has distinct eligibility requirements established at the time these self-insurance programs began.

Towns and Cities always need to be sure to obtain Certificates of Insurance from every independent contractor or other entity that works on their premises or performs some service on their behalf. Frequently, the Town will also want to be named on the other entity's insurance policy as an Additional Insured to protect the Town in claim situations where the other entity is responsible for the loss.



## WELCOME NEW MEMBERS!!!

### Property & Casualty Pool

Passamaquoddy Water District  
 Boothbay Region Water District  
 Northern Oxford Reg. Solid Waste Dist.  
 Town of Holden  
 Kennebec Reg. Dev. Auth. (First Park)  
 Town of Eliot  
 Guilford-Sangerville Water District  
 Bath Water District  
 Town of Wiscasset  
 Town of Jefferson  
 Kennebec Water District

Boothbay Harbor Sewer District  
 Town of Hudson  
 Town of Winter Harbor  
 Winter Harbor Utilities  
 South Berwick Water District  
 Town of Mars Hill  
 Town of Mount Chase  
 Seboeis Plantation  
 Town of Chester  
 Town of Hamlin

### Workers Compensation Fund

Waldoboro Utility District  
 Kennebec Water District  
 Town of Eliot  
 Boothbay Region Water District  
 Pleasant River Solid Waste Disposal Dist  
 Bath Water District

Town of Winterport  
 Boothbay Harbor Sewer District  
 Town of Winter Harbor  
 Town of Dedham  
 South Berwick Water District  
 Town of Garland

## Total Quality Policing Seminar

Coming in May to Augusta and Portland!

Attorney Randy Means will be presenting MMA Risk Management Services' annual police liability seminar on May 14 in Augusta and May 15 in Portland. The subjects to be covered are *Proper Use of Police Power & Authority* and *Interpersonal Skills*.

Law Enforcement Officers, Supervisors and Trainers are invited. Seven hours of MCJA training credit are earned at the full day seminar.



For more information call Ruth Cox at:  
 1-800-590-5583

