



MPIC PROPERTY POINTERS

MAY 2023

YOU CAN TELL SUMMER'S HERE WHEN ...

There are many milestones that people use to mark the end of winter and the start of another great Wisconsin summer. For some it's the Brewers' opening day, for others it's the opening day of fishing, and then for some insurance geeks it's the late April snowfall that starts an unending fear of flooding, followed by heavy rains, wind, and hail pummeling our insureds.

No, all insurance professionals aren't paranoid or pessimistic, only those who work exclusively in property insurance. On the other hand, we also know that our primary responsibility is to ensure that our insureds receive the maximum service from MPIC to help them recover from property losses they may experience.

To that point, "claims time" is MPIC's time to shine and deliver that top-notch service you expect. Our dedicated claims staff have seen just about every type of claim situation and are well-equipped to assist your municipality with the return to normal operations. Combined with MPIC's premiere coverage offerings, we're confident that you will have a positive claims experience.

So, as we will all endure a variety of difficult weather this spring and summer, it's those bluebird days that should remind us how fortunate we are to have partners that will work with our best interests to help ease the trouble of bad days and insurance claims that bring us down. MPIC is that partner and as much as we all prefer that claims not occur, be comforted that we're prepared to be by your side to help with the recovery from any property insurance claim that you encounter.

IN CASE OF AN EMERGENCY ARE YOU COVERED?



The public is always confident that your municipal emergency responders will have all the equipment they need when they respond to an emergency call. Oftentimes, the public really has no idea exactly how much gear it takes to be prepared to respond to the myriad of situations that may be encountered.

That raises a second question. Are you comfortable that you fully understand the quantities, types, and values of the emergency equipment contained on your municipality's firetrucks, ambulances, and other specialized response units?

As part of MPIC's primary coverage form, we insure all emergency response equipment and consider it to be part of a municipality's personal property. We describe this property generally as: If you open all the compartments, doors, and hatches on an emergency response unit, turn it upside down, and shake it – everything that falls out is insured by MPIC. This also includes everything specifically worn by your responders.

So how do we get an accurate valuation on all of this "loose equipment"?

- ✓ First, it's critical that each municipality maintain an accurate inventory of the equipment contained in or on each response unit.
- ✓ Second, the manufacturer, specifications, purchase price, and quantity of each item should be noted and maintained. These comprehensive lists can be used, with the help of MPIC and our appraisal partners, to develop and maintain appropriate insurance values.
- ✓ Finally, be sure to update your Personal Property coverage limit to include this equipment information.

Contact your MPIC representative or agent to discuss your insurance exposure and how to best value and schedule this property.



Municipal Property Insurance Company is specifically designed to serve as more than just an insurer; MPIC also acts as a service partner that provides the highest quality insurance product and ancillary services to municipalities.



A Cooperative Corporation Between WMMIC, CVMIC, and LWMMI



DRONES, ROVS (REMOTE OPERATED VEHICLES), AND UNMANNED EQUIPMENT

Advances in technology over the last 10 years have spurred a new classification of assets that have been quickly adopted by municipal governments. This new technology has both improved the quality and reliability of remote operated equipment, while simultaneously reducing the costs of this equipment.

At the top of the list are drones. Drones have quickly become a critical and affordable asset that is present in many municipalities for a variety of reasons. Law enforcement uses them for searches and pursuits, while Public Works uses them for site surveys.

ROVs and unmanned equipment have been utilized by law enforcement, fire departments, and public works departments. These units differ from drones, because they do not operate in the air. Instead they are used in dangerous ground situations for surveillance and also for observation and inspection of dangerous or otherwise confined spaces.

Regardless of which type of these your municipality owns, MPIC has an insurance coverage solution to meet your needs. As a part of MPIC's standard coverage form, we address coverage for drones under our Contractors Equipment coverage. As such, you are automatically provided up to \$25,000 for each drone for any loss. However, as the quality of the unit and price increase, we are able to provide full replacement coverage as long as the municipality schedules the drone at its full replacement value as Contractors Equipment.

The next time one of your high-tech drones falls from the sky or tumbles over a ledge, don't worry about coverage. Just be sure to talk to your MPIC representative and get your equipment scheduled.



DETERMINING INSURANCE COSTS

How much should I insure my municipality's property for?

Should I use replacement cost? Actual cash value? Market value? What I paid for it? Or what I think it is worth? Since replacement cost coverage is the most commonly used value, we'll cover that here.

Your MPIC policy covers most items for replacement cost coverage. Meaning that in the event of a total loss, you will receive the funds necessary to rebuild or replace the item. Given that most municipal property is being actively used for the benefit of the community, it makes sense to have insurance coverage that will replace the property in the event of a total loss.

The question now becomes: How do you determine the replacement cost of the property? Making that question even more difficult is that replacement values are a moving target. They are constantly changing, especially in today's world.

From 2011–2020, the inflation rate in the US averaged 1.73% per year and replacement costs grew at a stable level. Times have changed. In 2021, the inflation rate was 4.7%, in 2022 it was 8.0%, and YTD 2023 is 5.56%. Building replacement costs (due to construction costs) are seeing even higher increases.

While there are various tools to help determine replacement costs, the most accurate option is conducting an appraisal. An appraisal is used to determine the replacement cost of a property by assessing various factors. Appraisers consider the quality and type of construction materials, labor costs, current market conditions, and any unique features of the property. They analyze data from construction cost manuals, review building plans, and conduct site visits to gather information. By considering these factors, appraisers estimate the cost to rebuild or replace the property in the event of a total loss. This replacement cost evaluation helps property owners and MPIC determine appropriate coverage levels to adequately protect the property against potential risks or damages.

MPIC is pleased to partner with HCA Asset Management, LLC to conduct appraisals for our policyholders. They are experts in appraisal and produce a thorough and professional appraisal report for you that provides accurate replacement costs for your property.



SHARE YOUR EXPERIENCE OR IDEAS WITH US! Email policy@mpicwi.com

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