



**CITY of NOVI CITY COUNCIL**

**Agenda Item H  
May 7, 2012**

**SUBJECT: Adoption of resolution to participate in the State of Michigan's Fire Insurance Withholding Program, under MCL 500.2227 of the State Insurance Code.**

**SUBMITTING DEPARTMENT: Public Safety**

**CITY MANAGER APPROVAL:** 

**BACKGROUND INFORMATION:**

The Fire Insurance Withholding Program created under the State Insurance Code allows municipalities to gain some financial protection against the cost of cleaning up a damaged structure or undertaking other clean up costs following a fire loss or other similar event. A municipality that chooses to participate in the program becomes eligible to receive a portion of the insurance policyholder's final settlement, to be held in a specified escrow account until the structure is repaired, replaced, or demolished. Once that occurs, the escrow funds are released by the municipality back to the property owner. If the property owner does not repair the structure, the municipality can use the funds to repair, replace, or demolish the structure.

The State of Michigan maintains a list of participating municipalities in its Office of Financial and Insurance Regulation (OFIR). The state sends the list to all property and casualty insurance companies to give notice of the required escrow withholding.

While the amount to be escrowed is listed as 25% of the final settlement, there is a maximum amount established by the state per year. This year, the maximum is set at \$8,120, starting June 1, 2012.

Attached is a resolution in the general form required under the law to participate in the program.

**RECOMMENDED ACTION: Adoption of resolution to participate in the State of Michigan's Fire Insurance Withholding Program, under MCL 500.2227 of the State Insurance Code**

	1	2	Y	N
Mayor Gatt				
Mayor Pro Tem Staudt				
Council Member Casey				
Council Member Fischer				

	1	2	Y	N
Council Member Margolis				
Council Member Mutch				
Council Member Wrobel				

# MEMORANDUM



**TO:** DAVID E. MOLLOY,  
DIRECTOR OF PUBLIC SAFETY/CHIEF OF POLICE

**FROM:** JEFFERY R. JOHNSON, DIRECTOR OF FIRE/EMS OPERATIONS *JRJ*

**SUBJECT:** FIRE INSURANCE WITHHOLDING PROGRAM

**DATE:** APRIL 25, 2012

*4-25-12  
To: Mayor & City Council Members  
We would like to bring forward for consideration*

In Section 2227 of the State of Michigan insurance code it allows, through resolution, municipalities with a population of 50,000 or more to establish an escrow account of 25% (maximum of \$8,120 in 2012) of a fire insurance settlement for losses to real property caused by fire or explosion as well as losses caused by vandalism, malicious mischief, wind, hail, riot, or civil commotion. )

The intent of this law is to provide financial relief to a municipality that secures a damaged building, at the expense of the taxpayers, with the intent of protecting the public against the perils of the damaged property. In addition, it also allows for some financial relief if a property must be razed in order to protect the public.

This resolution would have aided the City of Novi with the securing of and ultimate demolition of the house on Wintergreen Circle that was destroyed by fire in January of this year. Once the building was determined to be a total loss by the insurance company and final payment made to the insured, an escrow account would have been established with \$8,120 placed in it. The city could have used these funds to demolish the house or held the funds in escrow until the house was razed by the owner.

This resolution will provide the City of Novi another means of protecting its citizens against damaged and dangerous buildings and can be of benefit in cases where the insured does not cooperate with the city in securing or demolishing these properties. ||

I am recommending adoption of the Fire Insurance Withholding Program resolution as prepared by city attorney Thomas Schultz.

# JOHNSON | ROSATI | SCHULTZ | JOPPICH

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Thomas R. Schultz  
tschultz@jrsjlaw.com

April 20, 2012

David Molloy, Director/Chief  
Novi Public Safety Department  
45125 W. Ten Mile Road  
Novi, MI 48375

RE: Fire Insurance Withholding Program

Dear Chief Molloy:

Enclosed is a draft of the proposed Resolution by which Novi would participate in the Fire Insurance Withholding Program. As you know, the requirement is simply to fill out the required form provided by the state and adopt an appropriate resolution, and the City will be placed on the list kept by the state of municipalities who participated in the program. Notice will be sent to insurers within the state.

If you have any questions regarding the above, please do not hesitate to call.

Very truly yours,

JOHNSON, ROSATI, SCHULTZ & JOPPICH, P.C.



Thomas R. Schultz

TRS:jah  
Enclosure

cc: Maryanne Cornelius, City Clerk  
Victor Cardenas, Assistant City Manager  
Jeff Johnson, Director of EMS & Fire Operations

**Fire Insurance Withholding Program  
Enrollment and Notification**

Please type or print clearly

Name of Municipality <b>City of Novi</b>	Type of Municipality (choose one) <input checked="" type="checkbox"/> City <input type="checkbox"/> Village <input type="checkbox"/> Township	Located in the Michigan County of: <b>Oakland</b>
Name and title of Contact Person <b>Clay Pearson, City Manager</b>	Please return completed form to: <b>Office of Financial and Insurance Regulation Consumer Services PO Box 30220 Lansing MI 48909-7720</b>	
Contact Person complete address <b>45175 W. Ten Mile Road Novi, MI 48375-3024</b>		
Contact Person phone number (with area code) <b>(248 ) 347-0420</b>		
Contact Person email address <b>cpearson@cityofnovi.org</b>		

Municipality will be participating under the following section of the Michigan Insurance Code (choose one):

- Section 2845 - Municipalities of less than 50,000 in population located in counties of less than 425,000 in population.
- Section 2227 - Municipalities with a population of 50,000 or more, or those municipalities with a population less than 50,000 but in a county with a population of 425,000 or more.

Please enroll this municipality in the Fire Insurance Withholding Program.

Authorized signature	Date signed	Signer's name and title, typed or printed <b>Clay Pearson, City Manager</b>
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P.A. 216 and 217 of 1998 require submission of this information by municipalities that wish to enroll in the Fire Insurance Withholding Program.



**Michigan Department of Energy, Labor & Economic Growth**

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 Auxiliary aids, services and other reasonable accommodations are available upon request to individuals with disabilities.  
 Visit OFIR online at: [www.michigan.gov/ofir](http://www.michigan.gov/ofir) Phone OFIR toll-free at: 1-877-999-6442

**CITY OF NOVI**

**COUNTY OF OAKLAND, MICHIGAN**

**RESOLUTION NO. \_\_\_\_\_**

At a meeting of the City Council of the City of Novi, Oakland County, Michigan, held on \_\_\_\_\_, 2012, at the City Hall, 45175 W. Ten Mile Road, Novi, Michigan 48375-3024.

The following resolution was offered by Councilmember \_\_\_\_\_ and supported by Councilmember \_\_\_\_\_.

WHEREAS, the provisions of Act 495 of the Public Acts of 1980; as amended by Act 216 of the Public Acts of 1998, and the provisions of Act 217 of the Public Acts of 1998, provide that a portion of certain casualty losses for fire or explosion otherwise payable by insurers may be withheld in escrow by participating municipalities in order to secure repair, replacement, or removal of damaged structures which violate the City of Novi health or safety standards; and

WHEREAS, the City of Novi has determined that participation in said program would protect and promote the public health, safety, and welfare and wishes to be included in the list of participating municipalities published by the Commissioner of Insurance; and

WHEREAS, the City of Novi desires to implement all procedures necessary to administer said program by designating the City official responsible for administration of the program and establish an escrow account for said purpose.

NOW, THEREFORE, IT IS HEREBY RESOLVED as follows:

1. That the City of Novi does hereby become a participating municipality in the program providing for the escrow of fire insurance as established by Act 495 of the Public Acts of 1980; as amended by Act 216 of the Public Acts of 1998, or as established by Act 217 of the Public Acts of 1998, and does declare its intention to uniformly apply the provisions of Section 2845 or Section 2227 to all property within the City of Novi.

2. That the City of Novi official responsible for the administration of Section 2845 or 2227 of said Acts and any rules promulgated by the Commissioner of Financial and Insurance Services is hereby designated as follows:

Clay Pearson, City Manager  
45175 W. Ten Mile Road  
Novi, MI 48375-3024  
(248) 347-0420

3. That the City of Novi official shall establish an escrow account with a bank authorized by City Council for deposit of City funds for the purposes of receiving and holding deposits of money received from insurers pursuant to Section 2845 or 2227 of said Acts, which account shall be separately maintained from all other accounts and may be an interest bearing account.

AYES:  
NAYES:  
ABSTENTIONS:  
ABSENT:

STATE OF MICHIGAN        )  
  )ss.  
COUNTY OF OAKLAND     )

I, MARYANNE CORNELIUS, the duly-qualified Clerk of the City of Novi, Oakland County, Michigan, do hereby certify that the foregoing is a resolution adopted by the City Council of the City of Novi, at a duly-called meeting held on \_\_\_\_\_, 2012, a copy of which is on file in my office.

\_\_\_\_\_  
Maryanne Cornelius, City Clerk  
City of Novi

This Resolution was signed and acknowledged before me on \_\_\_\_\_, 2012, by MARYANNE CORNELIUS, the duly-authorized Clerk for the City of Novi, a Michigan municipal corporation.

\_\_\_\_\_  
Notary Public  
Oakland County, Michigan  
My Commission Expires: \_\_\_\_\_