MMIA LIABILITY PROGRAM

Comparison to the Commercial Insurance Market

The Montana Municipal Interlocal Authority (MMIA) is a self-funded risk pool owned and operated by Montana cities and towns. Municipalities have direct control over coverage terms, rates, claims philosophy, and services.

Through self-funded pooling, MMIA members share risk, expertise, and resources—creating stability that individual commercial policies cannot match. As a member-owned organization, municipalities don't just purchase insurance; they help shape it. Local control, transparent operations, and collective decision-making support resilient communities across Montana.

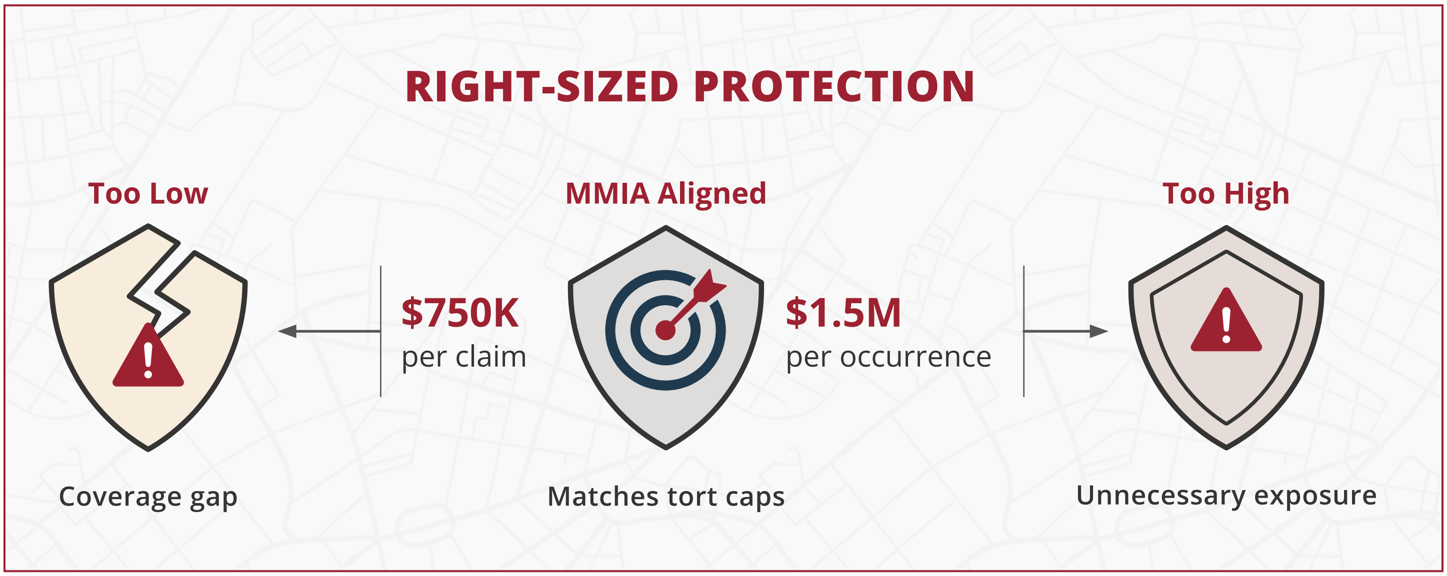
This overview highlights how MMIA's municipal-focused approach compares to the commercial insurance market. While commercial carriers may sometimes appear cost-competitive on the surface, there is no better long-term option than MMIA's self-funded pool—built by members, for members.

MMIA delivers liability coverage built for municipalities - while the commercial market adapts municipal risk to private-sector insurance models.

LIMITS AND AGGREGATES

Liability Protection Designed for Montana's Public Entities—Not Private Industry

Montana law provides statutory protections for governmental entities through tort caps of $750,000 per claim and $1.5 million per occurrence (§2-9-108 MCA). These limits are designed to balance fair compensation with protection of public resources.



MMIA structures its liability limits to align with Montana law and public-entity risk.

- Coverage limits match Montana tort caps, helping municipalities preserve statutory liability protections.
- For claims not subject to state tort caps—such as certain federal claims—MMIA provides up to $15 million in coverage.
- No aggregate limits apply to general, auto, or professional liability, ensuring coverage remains available even after multiple claims in a policy year, and higher limits than commercial liability for E&O, non-monetary and jail claims.
- Defense costs are paid outside policy limits, so legal expenses never reduce the funds available to pay damages. MMIA can defend against claims that are not owed without negatively impacting the member, which helps to keep future costs from escalating due to bad precedent.

Commercial Market insurance policies are typically designed for private-sector risk and can create unintended consequences for municipalities.

- Limits that exceed tort caps may waive statutory protections, exposing public entities to higher long-term claim costs.
- Limits below tort caps can leave municipalities financially exposed between the policy limit and the statutory cap.
- Annual aggregate limits usually apply to all claim types and can be exhausted by multiple claims.
- Defense costs typically erode policy limits, reducing available coverage during litigation.

Bottom line: MMIA's limits and aggregate structure protect municipalities from both under- and over-insuring, while commercial policies may introduce unnecessary financial and legal risk.

POLICY COVERAGES

Integrated Municipal Coverage vs. Fragmented Commercial Policies

MMIA provides coverage through a single manuscript policy designed specifically for municipal operations. This integrated approach ensures consistent terms and minimizes coverage gaps.

COVERAGE INCLUDES:

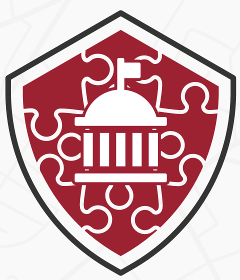
- General liability, auto liability, and professional liability
- Public officials' errors and omissions
- Employment practices and employee benefit liability
- Land use practices
- Defense of non-monetary claims, including open meetings and public records
- No-fault sewer backup and water main break coverage

Several of these coverages—such as non-monetary claims defense and no-fault water and sewer losses—are not commercially available. When exclusions apply (e.g., cyber or pollution), MMIA uses pooled purchasing power to secure coverage on behalf of the membership at no additional cost.

Commercial Market comparable coverage often requires multiple policies and endorsements, if available at all. Differences in definitions, exclusions, and limits increase complexity and the likelihood of coverage gaps.

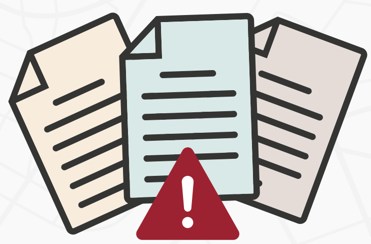
INTEGRATED COVERAGE, FEWER GAPS

MMIA



- One manuscript policy
- Broad municipal-specific coverage
- Consistent terms & fewer gaps

Commercial Market



- Multiple policies
- Varying endorsements/ exclusions
- More complexity/ more gaps

DEDUCTIBLES

Consistency and Choice vs. Variable Structures

MMIA offers deductible options ranging from $750 to $50,000 per occurrence, allowing municipalities to balance cost and risk tolerance.

- Deductibles apply consistently across all liability coverages, regardless of claim type.
- A single deductible structure simplifies budgeting and avoids surprises.

Commercial Market insurers may offer narrower deductible options.

- Deductibles often vary by exposure, with higher deductibles applied to higher-risk claim types such as employment practices or land use.

SERVICES

Local Municipal Expertise vs. Generalized Insurance Services

MMIA

- Montana-based claims and risk management staff with deep municipal expertise. Risk management initiatives focused on municipal-specific exposures.
- Defense counsel experienced in Montana and municipal law.
- Claims philosophy centered on paying claims that are owed and defending those that are not, helping control long-term costs and avoid harmful precedent.
- MMIA is focused on managing the impact of claims on a municipality and the Pool.

Commercial Market

- Claims and underwriting staff often work across many industries and may lack municipal specialization.
- Carriers may utilize in-house or regional defense counsel that may not be as familiar with municipal issues and Montana law.
- Claims decisions may prioritize efficiency and carrier financial outcomes rather than long-term municipal impact.
- Commercial carriers may be more focused on managing the impact of claims on their company's bottom line and on stockholders.

"What sets MMIA apart is its culture of collaboration. Staff, board members, and member municipalities work together with transparency and mutual respect. Decisions are grounded in data, guided by experience, and always focused on what best serves Montana communities."

- **Doug Kaercher,** Former MMIA Board Member and Former Havre Mayor