

# Municipal Property Program

Effective October 1985, as revised  
September 2022

## 1. Intent of Program

- A. The intent of the Municipal Property Program (the Program) is to cover insurable real and personal property, which belongs to or is in the care, custody, or control of a participating municipality and for which coverage has been applied and accepted by the Municipal Property Program.
- B. The Program covers all risks of direct physical loss of or damage to the property covered and listed on the Enumeration Schedule from any external cause except as excluded herein or as excluded pursuant to reinsurance agreements made by the Program. This Program does not provide any general liability coverage. Please see Ark. Code Ann. § 21-9-301 regarding tort liability immunity.
- C. The scope of the Program's coverage shall be consistent with and equal to the coverage of any reinsurance agreement made by the Program. Such coverage terms are incorporated herein as if set out word for word. Should any inconsistencies exist between the Program and the reinsurance agreement, the coverage of the reinsurance agreement shall prevail.
- D. Reinsurance agreements made by the Program may be reviewed in full at this location: [www.arml.org/mpp](http://www.arml.org/mpp).

## 2. Eligibility for Program Membership

- A. Arkansas cities of the first class, cities of the second class and incorporated towns are eligible for Program membership subject to the terms of the Program.
- B. Limited-Service Members (LSM) of the Arkansas Municipal League (League), as defined by the League's governing body, are available for Program membership at the discretion of the Program Administrator and only then after meeting all the requirements of being an LSM of the League.
- C. As used herein the term participating municipality shall include those entities listed in paragraph 2. A. and B. above.

## 3. Covered Losses

The Program provides coverage for accidental, direct physical loss to property described on the Enumerations Schedule, except for losses excluded in item 4 below.

## 4. Exclusions

### The Program does not cover:

- A. Indirect or consequential loss of any kind. For example, there is no coverage for wind driven rain or rainwater damage that is not the result of an opening created by a storm.
- B. Loss or damage caused by or resulting from wear and tear, gradual deterioration, mechanical breakdown, latent defect, insects, vermin, rodents, rust, corrosion, dampness of atmosphere, mold, or wet or dry rot.
- C. Loss of cash, currency of any kind, or valuable papers.
- D. Motor vehicles, mobile equipment, and water vessels.
- E. Exclusions made or otherwise enumerated in any reinsurance agreement entered into by the Program having effect at the time of loss, such exclusionary terms are incorporated herein as if set out word for word. Should any inconsistencies exist between the Program and the reinsurance agreement, the exclusions of the reinsurance agreement shall prevail.
- F. Property or contents of roomers, boarders, tenants, renters, lessees, and other residents.
- G. Damage to property that has been vacant or unoccupied for 30 or more days immediately before the loss, or while the property is being constructed, that is the result of vandalism, malicious mischief, arson or theft. The property is considered vacant when such building does not contain adequate covered property to conduct customary business operations; or such building is no longer used by the member, a lessee or a sub-lessee to conduct customary business operations; 70% or more of the property's total square footage is "vacant."
- H. Damage to property that has been vacant or unoccupied for 30 or more days immediately before the loss, or while the property is being constructed, that is the result of freezing of a

plumbing, heating, air conditioning or automatic fire protection system or appliance failure. This exclusion does not apply if the member has used reasonable care to maintain heat (50F+ degrees) in the building and shut off the water supply and drain the system and appliances of water. If fire protection system is turned off, member should supply copy of the notice that was provided to the Fire Department.

- I. We have the right to inspect the damaged property. Claims involving property that has been repaired or replaced or removed prior to our inspection will be denied. Also, see 6) Condition A. below.

## 5. Valuation

- A. For the purpose of this coverage and when being considered for payment when a loss has occurred, the Program has the option to pay the replacement cost of the property or to repair the property, whichever figure is lower. Members are to schedule the replacement cost of covered buildings and contents and those figures will be listed on the Enumerations Schedule. In the event of a loss equal to or in excess of the scheduled amount, the payment owed by the Program will be determined by applying the appropriate deductible to the total amount of damages. The most the member will ever receive is the scheduled amount.
- B. Property values can be amended throughout the coverage period based upon appraisal without consent of the member.

## 6. Conditions

- A. When loss occurs, the participating municipality shall protect the property from further damage. Further loss due to the participating municipality's failure to protect shall not be recoverable under this Program.
- B. When a loss occurs, the participating municipality shall give timely notice thereof to the Program upon discovery as soon as practicable.
- C. Damages and payments under the Program will be determined one of two ways: (1) what it would then cost to repair, or (2) the cost to replace the property or such part thereof with other of like kind and quality. Both (1) and (2) are not to exceed the applicable limit of coverage stated on the Enumeration Schedule. The Program will pay

for the lower of (1) or (2) on a covered loss. Stolen property may be paid for in the same manner as indicated in (1) and (2).

- D. This coverage applies only to direct and accidental losses to the participating municipality's property, which is sustained during the coverage period and when such property described in this coverage is maintained and used as municipal property for proper municipal purposes under the direction or approval of officials in charge.
- E. Deductible Provision—In the event indemnity for loss is payable to the participating municipality, the amount paid will be reduced by the deductible amount and any applicable depreciation. Deductibles are: \$10,000.00 for Class 1 Rates, \$7,500.00 for Class 2 Rates and \$5,000.00 for Class 3 and 4 Rates, or, in the case of flood or earthquake, as delineated by the applicable reinsurance policy provision. Regardless of the number of claims and the number of municipalities involved, the most the pool will pay out is subject to the limits set by the reinsurance carrier.

Depreciation is recoverable if the repairs are completed within two years of the date of loss that you reported when the claim was submitted. In the event of a loss equal to or in excess of the scheduled amount, the payment owed by the Program will be determined by applying the appropriate deductible to the total amount of damages. The most the member will ever receive is the scheduled amount.

- F. The term of this agreement shall be for one year beginning and ending on the date set forth in the Enumeration Schedule executed by the parties and incorporated herein by reference. The execution of subsequent enumeration schedules shall constitute extensions of this agreement for one-year periods designated therein. It is recommended that the Fire Chief certify that the property has been inspected by proper authorities for fire hazards and deficiencies and attest to same on the Annual Enumeration Schedule.
- G. Annual enumeration authorizes coverage for the property and equipment and contents listed on the Enumeration Schedule. Therefore, where replacement or additional property is acquired, it must be reported to the Program within 21 days

of acquisition and appropriate pro-rata premium paid in order for coverage to be effective. Failure to report additional property, or failure to pay the additional premium relieves the Program from providing coverage for that property.

- H. The participating municipality or the Program may terminate this agreement by giving the other party thirty (30) days' notice in writing. Following cancellation by the Program, any refund will be computed pro-rata. Upon cancellation by the member, no refund will be made. In the event of termination of the Program, any or all assets, including real or personal property held or owned by the Program, shall be distributed to the participating municipalities on a pro-rata basis. Any property acquired or held for the Program shall be held in the name of the Municipal Property Program.
- I. The participating municipality shall cooperate with the Program in the investigation, settlement, or defense of any claim or suit and shall not voluntarily make any payment, assume any obligation or incur any expense and shall cooperate in whatever manner necessary to determine liability or loss and facilitate settlement.
- J. The participating municipality shall immediately send the Program copies of any summons, notices, or legal papers received in connection with the accident or loss.
- K. The Program is authorized to inspect and appraise the damaged property before its repair or disposition and shall have the right of salvage when applicable.
- L. The liability for damages to covered property that is covered by one or more policies of insurance is not covered under the Program except that the Program will pay the excess over any such insurance policy that has coverages less than the payment limits set forth in this agreement up to such payment limits. In cases where the Program is secondary, losses paid by other policies may satisfy the deductible under the Program.
- M. In the event of any payment under the terms of this agreement, the Program shall be subrogated to all of the participant's rights of recovery therefor against any person or organization. The Municipality or member hereby authorizes

the Program Administrator to pursue the aforementioned right of subrogation by employing such agents, attorneys, investigators, appraisers as he may deem necessary, and authorizes that suit may be brought in the name of the municipality or member, or any other real party in interest as is necessary to pursue the aforementioned right of subrogation. Such authorization is deemed effective on the first effective date of the Enumeration Schedule in effect at the time of any payment under the terms of this agreement.

- N. The terms of the Program shall apply separately to each article listed on the Enumeration Schedule and each shall be held to be separate pieces of property as respect to limits of liability including any deductible provisions.
- O. No one has authority to verbally change any provisions of the Program. Any changes or endorsements must be in writing by a duly authorized representative of the Program.
- P. The provisions of the Program and the coverage hereon can be afforded only to the covered municipality and assignments to any person or persons, firms or corporations, or other entity will not be honored by the Program without written consent.
- Q. The participating municipality agrees to pay into the Program each year a charge established annually by the Steering Committee for all property owned or under the care, custody, or control of the municipality. Such property must be listed annually on the Enumeration Schedule provided by the Program and properly executed by an authorized official. Payment of the yearly charge by a participating municipality shall constitute its agreement to and the acceptance of the provisions of this agreement.
- R. The Executive Director of the Arkansas Municipal League is hereby designated Program Administrator. The Program Administrator shall at least annually conduct a meeting for all participating municipalities in the Program to hear recommendations and comments pertaining to the terms and conditions of this agreement and the administration of the Program. The Program Administrator shall also submit a financial statement at each annual meeting.

- S. The officers of the League whose cities or towns are members of the Program shall constitute a Steering Committee for the Program for purposes of governing the Program and hearing appeals from decisions made by the Program Administrator regarding matters of coverage and defense of claims and litigation. The Steering Committee shall decide any such disputed claim or litigation matter. Appeals by Program members or their employees or officials of defense or financial coverage decisions of the Program Administrator are mandatory before any litigation may ensue regarding those defense or financial coverage issues. The Program shall not be liable, nor required to pursue, any form of litigation regarding any defense or financial coverage decision unless the Program participant has first exhausted all administrative remedies available through the Program, including but not limited to an appeal to the Steering Committee.
- T. The Program Administrator is authorized to employ such agents, attorneys, investigators, and appraisers as he may deem necessary to administer the Program and to pay from the Program all costs and expenses of administration of the Program including compensation to the Program Administrator.
- U. This agreement is made for the benefit of the individual municipalities joined herein and no municipal official, employee, or other person shall have any legally-enforceable rights under this agreement against any municipality joined herein, a municipal agency, the Program, Program Administrator, Program agents, Arkansas Municipal League, or attorneys for any of the foregoing, whether as third-party beneficiaries or otherwise, this agreement being one solely between the municipalities joined herein.
- V. The funds and assets of the Program shall be separated from Arkansas Municipal League funds and assets and notwithstanding anything herein to the contrary, the League shall not be obligated directly or indirectly to pay any sum. The League's Reserve Fund is designed to provide financial assistance to the Program in the event that it is needed and will do so in accordance with its terms and the terms of this Program. 🏠

# MUNICIPAL PROPERTY PROGRAM

**Effective October 1985,  
as revised September 2022**

**This Program is a self-funded  
risk management trust designed  
to benefit its local governmental  
members.**

Sponsored by the  
Arkansas Municipal League



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