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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TECHNOLOGY, MANAGEMENT & BUDGET
LANSING

JOHN E. NIXON, CPA
DIRECTOR

January 1, 2012

MEMORANDUM

TO: WHOM IT MAY CONCERN

FROM: Stephen P. Davis, *Steve Davis*
Risk Manager

SUBJECT: Financial Responsibility for Property and Liability Losses

Property

Ordinarily, the State of Michigan does not insure its building or other properties against loss from the usual fire and extended coverage perils. Such losses are funded under the provisions of 1913 PA 388, as amended, MCL 550.704 and 550.705, which authorizes funds for certified losses up to \$50,000. Greater amounts require specific legislative action.

Non-Vehicular Liability

Michigan Supreme Court decisions indicate that under Public Act 170 of 1964, the State of Michigan may be held liable for the consequences of any tortuous act or omission occurring in the course and scope of performing any function that is not a governmental function (governmental function defined as "an activity which is implied or expressly mandated or authorized by constitution, statute, local charter or ordinance, or other law"). Claims against the State are adjudicated in the Court of Claims.

The State of Michigan does insure some specific liabilities when one or more perils expose the state to a potential loss, which could impair its financial condition and/or essential services or is otherwise legally mandated, otherwise the state is self-insured.

Vehicular Liability

Pursuant to 1964 PA 170, as amended, and MCL 691.1405, the state is liable for bodily injury and property damage resulting from the negligent operation of its motor vehicles. Under the State of Michigan Self-Insurance program, state-owned vehicles are covered for personal injury protection insurance, property protection insurance and liability insurance as required by the law.