



## OFFICE OF CORPORATION COUNSEL

---

PAUL BARGREN  
Corporation Counsel

MARK A. GRADY  
COLLEEN A. FOLEY  
Deputy Corporation Counsel

TIMOTHY R. KARASKIEWICZ  
LEE R. JONES  
MOLLY J. ZILLIG  
ALAN M. POLAN  
JENNIFER K. RHODES  
DEWEY B. MARTIN  
JAMES M. CARROLL  
PAUL D. KUGLITSCH  
KATHRYN M. WEST  
JULIE P. WILSON  
Assistant Corporation Counsel

Date: November 17, 2014

To: Chairwoman Dimitrijevic

cc: Honorable Members of the Committee on Transportation,  
Public Works and Transit  
Honorable Members of the Committee on Judiciary, Safety  
and General Services  
Kelly Bablitch  
Don Tyler  
Raisa Koltun  
Amy Pechacek

From: Paul Bargren *PB*  
Corporation Counsel

Re: Letter from The Cincinnati Insurance Companies

Dear Madam Chair,

I am submitting as an informational item the attached letter from The Cincinnati Insurance Companies dated October 31, 2014. I suggest it be referred jointly to the Committee on Transportation, Public Works and Transit and the Committee on Judiciary, Safety and General Services as an information-only item for their December meeting agendas. The letter relates to the Courthouse fire of July 6, 2013.

Cincinnati Insurance provides a Machinery & Equipment insurance policy to the County. This is specialized and very limited coverage. In general terms, it can be said to cover only the loss of equipment itself – for example a boiler pipe that explodes – but not any damage or consequential harm that results from the loss of that equipment. The Cincinnati Insurance coverage is a complement to the much broader property damage coverage the County obtains from the Local Government Property Insurance Fund operated through the State of Wisconsin. (The Fund's coverage basically excludes the type of coverage provided by the Machinery & Equipment policy. This distinction for some reason has survived from the early days of property insurance when coal-fired boilers were insured separately from general property.) One way to illustrate the difference in scope of coverages is that the Fund policy for 2013 provided some \$2.9 billion in coverage with an annual premium of \$571,202, while the Cincinnati Insurance policy provided \$50 million in coverage with a premium of \$52,344.

As has been well established, the Courthouse fire started in electrical equipment in the basement. This would appear to trigger at least some responsibility by Cincinnati Insurance for coverage, and the Fund has asserted that \$1.6 million of the \$19.1 million certified loss should be Cincinnati's responsibility. However, Cincinnati is disputing that assertion and, in fact, contends that it has no liability at all under its policy. Cincinnati's letter sets forth its reasoning, based in part on its policy language and based in part on findings by its experts who conducted a post-fire examination. I want to caution readers of the letter that it is, of course, only Cincinnati's view and not conclusive, and that the Fund's examination of the evidence reaches very different conclusions on many of the points and of course as to Cincinnati's liability. Regardless, one way or another, the losses have been covered by insurance.

The dispute between Cincinnati and the Fund will be resolved through an arbitration process that is set out in the policies. In the meantime, the County has been made whole on its \$19.1 million claim and is not affected by the dispute in any material way. Under the arbitration process, since \$1.6 million is in dispute, the Fund and Cincinnati each paid half (\$800,000) to the County. The Fund and Cincinnati will settle up between themselves after the arbitrator rules. The \$800,000 paid to the County by the Fund under this process is in addition to approximately \$17.5 million the Fund has paid on claims for which it assumed sole responsibility.