



STAFF REPORT

DATE: September 20, 2016

CONSENT

ITEM #: 19

MOTION

TO: Mayor and City Council

FROM: Kristina Handt, City Administrator

AGENDA ITEM: LMCIT Insurance Coverage

BACKGROUND:

On September 7, 2016 the LMCIT Board of Trustees voted to raise the City's deductible to \$200,000 for liability claims except those for property damage and bodily injury to begin as soon as reasonably possible under the terms of the covenant and to have a review in June 2017. Under the terms of the current coverage they must give the City a 30 day notice of any change in terms. The City received the notice of change on September 8, 2016. A copy of the letter is included in your packet.

ISSUE BEFORE COUNCIL:

How should the City respond to the change in coverage terms from LMCIT?

PROPOSAL DETAILS/ANALYSIS:

Effective at the end of October 9, 2016 the City's current coverage for municipal liability and land use and special risk litigation will be canceled. The LMCIT is offering coverage for those two areas with a \$200,000 per occurrence deductible (increase from current deductible of \$500). Only the deductible would change; the City would not see a change in premiums at this time. If the City is interested in the new terms (higher deductible) they will need to notify LMCIT before October 10, 2016 that they accept the endorsement changes.

FISCAL IMPACT:

Since no increase in premiums is proposed, there is no immediate fiscal impact. Increased costs would only be incurred if there was a claim.

At their September 13th meeting, the Finance Committee began discussing the possibility of setting fund balance aside in a designated account to cover the possible \$200,000 cost.

OPTIONS:

- 1) Direct staff to notify LMCIT of acceptance of new terms
- 2) Direct staff to solicit bids from other insurance carriers
- 3) Direct staff not to pursue new terms/coverage

RECOMMENDATION:

If removed from the consent agenda,

Motion to direct staff to notify LMCIT of acceptance of new terms



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SINCE 1913

September 8, 2016

Kristina Handt
City of Lake Elmo
3800 Laverne Ave N
Lake Elmo, MN 55042-9629

Re: City of Lake Elmo - CMC 38652

Dear Ms. Handt:

Pursuant to action of the LMCIT Board of Trustees at their meeting on September 7, 2016, and in accordance with the terms and conditions of the Common Conditions of the City's Comprehensive Municipal Property and Casualty Coverage, this letter is formal notification to the City of Lake Elmo that these coverages which the City currently has with the League of Minnesota Cities Insurance Trust (LMCIT) are cancelled effective at the end of the day on October 9, 2016:

- Comprehensive Municipal Coverage - Coverage A. Municipal Liability; and
- Comprehensive Municipal Coverage - Coverage D. Land Use and Special Risk Litigation.

These coverages which the City currently has with LMCIT are NOT affected by this notice of cancellation, and will remain in effect unless the City of Lake Elmo notifies LMCIT that it wishes to cancel these coverages:

- Municipal Property, Crime, Bond, and Petrofund Coverage;
- Comprehensive Municipal Coverage - Coverage B. Medical and Related Expense
- Comprehensive Municipal Coverage - Coverage C. Automobile Liability;
- Comprehensive Municipal Coverage - Coverage E. Uninsured and Underinsured Motorists;
- Comprehensive Municipal Coverage - Coverage F. Basic Economic Loss Benefits; and
- Automobile Physical Damage Coverage.

LMCIT will rescind the cancellation of coverages described above if the City of Lake Elmo agrees to the following conditions:

- The attached endorsement modifying the City of Lake Elmo's Comprehensive Municipal Coverage will be issued and will take effect at 12:01 a.m. October 10, 2016.
- This endorsement provides for a \$200,000 per occurrence deductible applicable to all liability claims, except claims for property damage or bodily injury.

- There will be no additional premium charge and no premium refund for this new endorsement.

If the City of Lake Elmo agrees to accept this endorsement, you must notify LMCIT in writing prior to 12:01 a.m. October 10, 2016. If LMCIT does not receive notification from the City of Lake Elmo that the City accepts this endorsement, the City's liability coverage will terminate as of end of the day on October 9, 2016, with no further notice. In that event, LMCIT will return to the City a pro-rata portion of the premiums paid by the City for liability coverage for the City's January 1, 2016 to December 31, 2016 coverage year.

Sincerely,



Daniel J. Greensweig
LMCIT Assistant Administrator

Cc Mayor Mike Pearson
Sarah Sonsalla, Kennedy and Graven
Rusty Zignego, Zignego Agency, Inc.

Comprehensive Municipal Coverage

Special Deductible Endorsement

This endorsement modifies coverage provided under the Comprehensive Municipal Coverage.

Item 5. Municipal Liability Deductible of LMCIT Dec-13 (11/86) (Rev.11/15) is amended to read \$200,000 Per Occurrence, but only for claims for other than *bodily injury* or *property damage*.

All other terms and conditions remain unchanged.