



## STAFF REPORT

DATE: November 21, 2017  
**REGULAR**  
ITEM #: 14

**TO:** Mayor and City Council

**FROM:** Jake Foster, Assistant City Administrator

**AGENDA ITEM:** Approve Property and Liability Deductible Change and Authorize Decision for Liability Coverage Waiver Form

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### **BACKGROUND:**

The decision to waive, or not waive the statutory municipal tort limits for LMCIT members is typically required to be made by the members governing body. The City of Lake Elmo has not done so in recent history, but it is standard practice for other municipalities.

If the member *does not waive* the statutory tort limits, an individual claimant would be able to recover no more than \$500,000 on any claim to which the statutory tort limits apply. The total all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would be limited to \$1,500,000. These statutory tort limits apply regardless of whether the city purchases the optional excess liability coverage.

If the member *waives* the statutory tort limits and does not purchase excess liability coverage, a single claimant could potentially recover up to \$2,000,000 for a single occurrence. (Under this option, the tort cap liability limits are waived to the extent of the member's liability coverage limits, and the LMCIT per occurrence limit is \$2 million.) The total all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to \$2,000,000, regardless of the number of claimants.

If the member *waives* the statutory tort limits and purchases excess liability coverage, a single claimant could potentially recover an amount up to the limit of the coverage purchased. The total all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants.

Additionally, in order to offset some of the cost of increased premiums, the City can elect to raise the LMCIT property and liability deductible to offset the cost of increased premiums for 2018. Lake Elmo is one of three metro-area cities of similar population to still have a \$500 deductible.

### **ISSUE BEFORE COUNCIL:**

Should the Council approve the deductible increase for the City's property and liability insurance, and provide authorization for the City to not waive the municipal tort limits for liability coverage from LCMIT?

### **PROPOSAL DETAILS/ANALYSIS:**

Staff recommends that Council elect not to waive the statutory municipal tort limits, and approve the Liability Coverage Waiver Form as such. Staff also recommends increasing the deductible for the LCMIT property and liability coverage.

**FISCAL IMPACT:**

The city's expiring bottom line premium is \$65,397. This bottom line premium includes the excess liability. The savings referenced are off the entire \$65,397 premium.

\$1,000 deductible: approximate savings of \$3,000 from the current \$500 deductible level premium;  
\$2,500 deductible: approximate savings of \$6,000 from the current \$500 deductible level premium;  
\$5,000 deductible: approximate savings of \$9,500 from the current \$500 deductible level premium;  
\$10,000 deductible: approximate savings of \$13,500 from the current \$500 deductible level premium.

**OPTIONS:**

Liability Coverage – Waiver Form:

- 1) Waive statutory municipal tort limits
- 2) Do not waive statutory municipal tort limits

Property/Liability Deductible:

- 1) Increase deductible for property/liability coverage
- 2) Maintain current deductible for property/liability coverage

**RECOMMENDATION:**

*“Motion to approve the deductible increase for the City’s property and liability insurance, and authorize election to not waive the statutory tort limits.”*

**ATTACHMENTS:**

- LMCIT deductible analysis of similar-sized cities as provided by Zignego Agency Inc.
- LMCIT’s Liability Coverage – Waiver Form

SPRING LAKE PARK, CITY OF	6,432	1000
BELLE PLAINE, CITY OF	6,684	2500
MINNETRISTA, CITY OF	6,735	2500
ST. FRANCIS, CITY OF	7,240	500
SHOREWOOD, CITY OF	7,524	2500
ORONO, CITY OF	7,584	2500
MAHTOMEDI, CITY OF	7,697	5/10/1
WYOMING, CITY OF	7,800	1000
<b>LAKE ELMO, CITY OF</b>	<b>7,997</b>	<b>500 except</b>
VICTORIA, VICTORIA FIRE DEPT &	8,133	2500
OAK GROVE, CITY OF	8,210	2500
CAMBRIDGE, CITY OF	8,273	5/10/1
ST. ANTHONY VILLAGE CITY OF	8,516	10/50/1
MOUND AND MOUND VOLUNTEER	9,084	1000
ARDEN HILLS, CITY OF	9,597	10/20/1
NORTH BRANCH, CITY OF	10,184	1000
BIG LAKE, CITY OF	10,402	2500
MENDOTA HEIGHTS, CITY OF	11,136	10/20/1
WHITE BEAR TOWNSHIP	11,165	2500
WACONIA, CITY OF	11,345	500



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## LIABILITY COVERAGE – WAIVER FORM

**LMCIT members purchasing coverage must complete and return this form to LMCIT before the effective date of the coverage. Please return the completed form to your underwriter or email to [pstech@lmc.org](mailto:pstech@lmc.org)**

This decision must be made by the member's governing body every year. You may also wish to discuss these issues with your attorney.

League of Minnesota Cities Insurance Trust (LMCIT) members that obtain liability coverage from LMCIT must decide whether to waive the statutory tort liability limits to the extent of the coverage purchased. The decision has the following effects:

- *If the member does not waive the statutory tort limits*, an individual claimant would be able to recover no more than \$500,000 on any claim to which the statutory tort limits apply. The total all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would be limited to \$1,500,000. These statutory tort limits apply regardless of whether the city purchases the optional excess liability coverage.
- *If the member waives the statutory tort limits and does not purchase excess liability coverage*, a single claimant could potentially recover up to \$2,000,000 for a single occurrence. (Under this option, the tort cap liability limits are waived to the extent of the member's liability coverage limits, and the LMCIT per occurrence limit is \$2 million.) The total all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to \$2,000,000, regardless of the number of claimants.
- *If the member waives the statutory tort limits and purchases excess liability coverage*, a single claimant could potentially recover an amount up to the limit of the coverage purchased. The total all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants.

Claims to which the statutory municipal tort limits do not apply are not affected by this decision.

\_\_\_\_\_  
LMCIT Member Name

Check one:

- The member **DOES NOT WAIVE** the monetary limits on municipal tort liability established by Minnesota Statutes, Section 466.04.
- The member **WAIVES** the monetary limits on municipal tort liability established by Minnesota Statutes, Section 466.04 to the extent of the limits of the liability coverage obtained from LMCIT.

Date of city council/governing body meeting \_\_\_\_\_

Signature \_\_\_\_\_ Position \_\_\_\_\_