



# Request for City Council Action

## DEPARTMENT INFORMATION

ORIGINATING DEPARTMENT	REQUESTOR:	MEETING DATE:
Administration	City Administrator/Finance Director Flaherty	October 12, 2020
PRESENTER(s)	REVIEWED BY:	ITEM #:
Consent		3.6

## STRATEGIC VISION

MEETS:	THE CITY OF OTSEGO:
<b>X</b>	Is a strong organization that is committed to leading the community through innovative communication.
	Has proactively expanded infrastructure to responsibly provide core services.
	Is committed to delivery of quality emergency service responsive to community needs and expectations in a cost-effective manner.
	Is a social community with diverse housing, service options, and employment opportunities.
	Is a distinctive, connected community known for its beauty and natural surroundings.

## AGENDA ITEM DETAILS

RECOMMENDATION:	
City staff is recommending that the City Council elect to not waive the monetary limits on municipal tort liability established by Minnesota Statute Section 466.04.	
ARE YOU SEEKING APPROVAL OF A CONTRACT?	IS A PUBLIC HEARING REQUIRED?
No	No
BACKGROUND/JUSTIFICATION:	
<p>The City has received the quoted premium from the League of Minnesota Cities for the 2020-2021 liability insurance package. The total for the 2020-2021 coverage period is \$149,315 compared to \$137,297 for the 2019-2020 coverage period (8.7% increase).</p> <p>The most direct cause for the increase within the insurance policy was for Property coverage, which increased due to a combination of: 1) insured property value inflation of approximately 4%; and 2) a rate increase of 6% placed on all cities by LMCIT. A secondary driver for the increase was for Municipal Liability coverage, which is based on number of households, sewer connections, full-time employees, and expenditure budgets, all of which are experiencing increases from growth.</p> <p>Within the policy, there were minor increases in premiums for: mobile property, equipment breakdown and no-fault sewer backup coverages; however, those increases were offset with minor decreases in premiums for: automobile liability, automobile physical damage and bond coverages.</p> <p>Minnesota Statute Section 466.04 references tort liability for political subdivisions. The municipal tort liability is limited to a maximum of \$500,000 per claimant and \$1.5 million per occurrence. These limits apply whether the claim is against the City, against the individual officer or employee, or against both. The LMCIT liability coverage provides a standard limit of \$2 million per occurrence.</p> <p>At the City's coverage renewal each year, it must decide whether to waive or not waive the statutory limits.</p>	

In the past, the City of Otsego has chosen not to waive these statutory limits on tort liability claims. The LMCIT assures coverage to the limitations set by the Statute without additional cost to the City.

**SUPPORTING DOCUMENTS ATTACHED:**

- **Liability Coverage Waiver Form**
- **Summary of LMCIT Liability Coverage Options**

**POSSIBLE MOTION**

**PLEASE WORD MOTION AS YOU WOULD LIKE IT TO APPEAR IN THE MINUTES:**

Motion that the City of Otsego elects not to waive the monetary limits on municipal tort liability established by Minnesota Statute Section 466.04 for the September 25, 2020-2021 coverage period.

**BUDGET INFORMATION**

FUNDING:	BUDGETED:
Insurance coverage is allocated to each fund/department of the City.	Yes



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SINCE 1913

**LIABILITY COVERAGE – WAIVER FORM**

**Members who obtain liability coverage through the League of Minnesota Cities Insurance Trust (LMCIT) must complete and return this form to LMCIT before the member’s effective date of coverage. Return completed form to your underwriter or email to [pstech@lmc.org](mailto:pstech@lmc.org).**

*The decision to waive or not waive the statutory tort limits must be made annually by the member’s governing body, in consultation with its attorney if necessary.*

Members who 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 could recover no more than \$500,000 on any claim to which the statutory tort limits apply. The total all claimants could recover for a single occurrence to which the statutory tort limits apply would be limited to \$1,500,000. These statutory tort limits would apply regardless of whether the member purchases the optional LMCIT excess liability coverage.
- *If the member waives the statutory tort limits and does not purchase excess liability coverage*, a single claimant could recover up to \$2,000,000 for a single occurrence (under the waive option, the tort cap liability limits are only waived to the extent of the member’s liability coverage limits, and the LMCIT per occurrence limit is \$2,000,000). The total all claimants could 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 could 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 Minn. Stat. § 466.04.

The member **WAIVES** the monetary limits on municipal tort liability established by Minn. Stat. § 466.04, to the extent of the limits of the liability coverage obtained from LMCIT.

Date of member’s governing body meeting: \_\_\_\_\_

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

## Summary of LMCIT Liability Coverage Options

Coverage structure  If the city:	On a liability claim to which the statutory limits apply		On a liability claim to which the statutory limits do not apply
	This is the maximum amount a single claimant could recover on an occurrence.	This is the maximum total amount that all claimants could recover on a single occurrence.	
Does not have excess coverage & Does not waive the statutory limits	\$500,000	\$1,500,000	\$2,000,000
Does not have excess coverage & Waives the statutory limits	\$2,000,000	\$2,000,000	\$2,000,000
Has \$1,000,000 of excess coverage & Does not waive the statutory limits	\$500,000	\$1,500,000	\$3,000,000
Has \$1,000,000 of excess coverage & Waives the statutory limits	\$3,000,000	\$3,000,000	\$3,000,000

