



Legislation Details (With Text)

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**On agenda:** 1/7/2020      **Final action:**

**Title:** Consider Retaining Statutory Tort Limits

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. 1 - Resolution retaining statutory tort limits

Date	Ver.	Action By	Action	Result
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**City Council Meeting Date:** January 7, 2020

**To:** Mayor and City Council  
City Administrator

**From:** Deb Little, City Clerk

**Subject:**  
Consider Retaining Statutory Tort Limits

**Action Requested:**

The Northfield City Council approves the attached Resolution retaining (not-waiving) statutory tort limits for 2020.

**Summary Report:**

The League of Minnesota Cities Insurance Trust (LMCIT) insures the City of Northfield for liability and property damage. Cities obtaining liability coverage from LMCIT must decide whether or not to waive the statutory tort limits to the extent of the coverage purchased. The decision to waive or not to waive the statutory limits has the following effects:

- If the city 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, which 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 would apply regardless of whether or not the city purchases the optional excess liability coverage.
- If the city waives the statutory tort limits and does not purchase excess liability coverage, a single claimant could potentially recover up to \$2,000,000 on a single occurrence. The total which 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 city 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 which 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.

Only about 18% of LMCIT members have chosen to waive the statutory limits. When the city chooses the “waive” option, the city waives the protection of the statutory limits, up to the amount of coverage the city has. In addition, if the city waives the statutory tort limit, LMCIT will charge approximately 3% more in additional premium for the option.

By retaining (not waiving) statutory tort limits the need for excess liability insurance coverage is limited to federal civil rights law violations, claims for tort liability assumed by contract, claims for actions in another state, claims based on liquor sales (risk for on-sale liquor sales is greater than off-sale) and claims based on land use regulations. The City of Northfield has \$2,000,000 in coverage under our existing insurance.

The City of Northfield has not exceeded the statutory tort limit on any type of liability claim. The City discontinued purchasing Excess Liability insurance in 2010 due to budget constraints. As of August 1, 2018, approximately 30% of LMCIT members purchase excess liability. The 2017 quote for excess liability annual premium for the City of Northfield is as follows:

Coverage Amount	Cost
\$1,000,000	\$23,094
\$2,000,000	\$34,658
\$3,000,000	\$40,431

Staff requested a new quote for excess liability. It is anticipated that we will receive this information in the first quarter of 2020.

**Alternative Options:**

None recommended.

**Financial Impacts:**

LMCIT will charge approximately 3% more in additional premium if the city waives the statutory tort limit. In addition, the cost of the excess liability coverage is about 25% greater if the city waives the statutory tort limits. The cost difference is proportionally greater than the cost difference at the primary level because for a city that carries excess coverage, waiving the statutory tort limits increases both the per-claimant exposure and the per-occurrence exposure. The cost estimate for excess liability annual premium noted above is based on 2017 figures. Therefore, staff does not recommend waiving statutory tort limits.

**Tentative Timelines:**

Action is needed at this meeting so that the information can be sent to LMCIT as we complete the insurance renewal process for 2020.