



REQUEST FOR ACTION CITY COUNCIL

Agenda Date: 10/1/2024
Agenda Section: Consent Agenda

Department Origination: Finance

Agenda Item: Elect Not to Waive the Monetary Limits on Municipal Tort Liability Established by State Statutes with the 2025 LMCIT Insurance Renewal

Approval Required: Simple Majority Vote

BACKGROUND

Cities obtaining liability coverage from the League of Minnesota Cities Insurance Trust (LMCIT) must decide whether or not to waive the statutory tort liability limits to the extent of the coverage purchased. The City has elected in the past not to waive the monetary limits on municipal tort liability; however, it is required annually to update the election to ensure the decision is current.

FINANCIAL IMPLICATIONS

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. **This election limits the City's exposure as was intended by state laws.**
- 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 million, 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.

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

STAFF RECOMMENDATIONS

Finance Director Vacinek recommends the City continue not to waive the monetary limits on municipal tort liability established by Minnesota Statutes 466.04 for the City's 2025 LMCIT insurance renewal.

COUNCIL ACTION REQUESTED

Motion to elect not to waive the monetary limits on municipal tort liability established by state statutes with the 2025 LMCIT insurance renewal.