



CONNECTING & INNOVATING
SINCE 1913

League of Minnesota Cities Insurance Trust 2016-17 Coverage Changes

The League of Minnesota Cities Insurance Trust (LMCIT) [Board of Trustees](#) has approved several coverage changes for the upcoming underwriting year. Following is an outline of changes taking place for property/casualty coverages renewing on or after Nov. 15, 2016 and workers' compensation coverages renewing on or after Jan. 1, 2017. Click on each link to learn more about each coverage change. If you have questions, contact your underwriter at 651-281-1200 or 800-925-1122.

[Auto Physical Damage Coverage](#)

- [Joint Powers Entities](#)
- [Limited Replacement Cost Endorsement](#)

[Crime Coverage](#)

- [Electronic Crime](#)

[Changes Affecting Several Coverages](#)

- [Clarification on the Assignability of Rights against the Pool](#)

[Liability Coverage](#)

- [Joint Powers entity Exclusions and Retro Joint Powers Entity Coverage](#)
- [Payment Card Industry and Data Security Breach Regulatory Fines and Penalties](#)

[Property Coverage](#)

- [Buildings in the Course of Construction, Alteration, or Repair](#)
- [Mobile Property](#)
- [Property Errors Coverage](#)

[Workers' Compensation Coverage](#)

- [Fellow Employee Exposure](#)
- [Other Insurance or Self-Insurance Clause](#)

Auto Physical Damage Coverage

Joint Powers Entities

The auto physical damage coverage document has been amended to clarify which member's coverage applies if a city should loan, rent, or lease an auto to a joint powers entity of which the city is a member. The default arrangement going forward will be that coverage follows the entity who owns the vehicle unless the joint powers agreement specifies otherwise (members can work with their LMCIT underwriter to modify the coverage as needed).

Limited Replacement Cost Endorsement

As the default, LMCIT provides auto physical damage coverage on an actual cash value basis, but members can opt for replacement cost coverage for some autos upon request and at an additional premium charge (generally, replacement cost coverage is available for autos that are less than ten years old, but consideration may be given for older autos that have been well-maintained, overhauled, or updated as needed).

The terms of the former replacement cost endorsement provided for the smaller of: 1) the cost of repairing or replacing parts with like kind and quality without deduction for depreciation; 2) the cost of a new auto without deduction for depreciation; or 3) the limit scheduled in the endorsement. It did not specify when damage to an auto is considered to be a total loss – thus, it was difficult for claims staff and members to move past the first element of the loss valuation.

To remedy that problem, the revised endorsement sets a total loss threshold of 80% of the actual cash value of the auto. In a total loss situation (repairs are equal to or greater than 80% of the actual cash value), the terms of the new endorsement provide coverage for the smaller of: 1) 200% of the actual cash value of the auto; 2) the cost of an equivalent new auto without deduction for depreciation; or 3) the limit stated in the endorsement.

Crime Coverage

Electronic Crime

LMCIT provides standard crime coverage (coverage for loss of money resulting from theft by an outside party) with a limit of \$250,000 per occurrence. To ensure coverage applies for electronic theft, LMCIT has eliminated a condition that restricts coverage to acts committed within the United States, U.S. territories, and Canada. An explicit coverage grant has also been added for losses resulting from credit card fraud that are not otherwise reimbursable by the issuer, owner, or holder of the card. However, following a credit card fraud loss that involves a point of sale terminal, the coverage terms may be restricted on a move-forward basis unless and until future action is taken by the member to prevent future losses by installing and converting to credit card chip technology.

For more information, see Section I.C of the LMCIT Information Memo, [Coverage for Cyber and Computer-Related Risk](#).

Changes Affecting Several Coverages

Clarification on the Assignability of Rights against the Pool

There is a condition in both the workers' compensation and property/casualty coverage documents that has been updated to prohibit the "assignment or other transfer" of a member's right and duties under

the coverage agreements (before, it prohibited only the “transfer”). This change is a nuanced legal clarification.

Liability Coverage

Joint Powers Entity Exclusions and Retro Joint Powers Entity Coverage

The LMCIT liability coverage is arranged to necessitate consolidated coverage and defense in cases where multiple entities are named in a claim or lawsuit arising out of a joint powers entity’s activities.

There’s an exclusion for damages arising out of the activities of a joint powers entity unless the entity is named in the declarations, so members need to secure coverage for joint powers entities in one of two ways: 1) by securing standalone coverage for the entity, or 2) by adding the entity by endorsement to one of the constituent member’s coverages. For joint powers entities that are named in the declarations or by endorsement, constituent governmental members of the entity and their employees, officers, and volunteers are considered covered parties while acting on behalf of the entity or with respect to liability arising out of the activities of the entity.

The coverage also provides a sort of safety net coverage grant - the “retroactive joint powers entity coverage” - where if a city inadvertently fails to secure coverage for a joint powers entity, limited coverage is available subject to an annual aggregate of \$200,000.

Minor clarifications were made in both the exclusion and the “retroactive joint powers entity coverage” to reinforce the existing coverage intent, which is to encourage consolidated coverage and defense for claims or lawsuits involving joint powers entities, but allow for some limited coverage as a fallback if the member or members fail to secure full coverage for the entity.

Payment Card Industry (PCI) and Data Security Breach Regulatory Fines and Penalties

The LMCIT liability coverage has been broadened for data security breach claims, so that PCI fines and penalties and data security breach regulatory fines and penalties are considered covered damages, subject to a \$250,000 annual aggregate sublimit for damages, expenses, and defense costs. This sublimit is part of, and not in addition to, the existing \$3 million data security breach claim aggregate limit.

For more information, see Section I.A of the LMCIT Information Memo, [Coverage for Cyber and Computer-Related Risk](#).

Property Coverage

Buildings in the Course of Construction, Alteration, or Repair

The property coverage has been amended to provide automatic builders risk coverage for projects with an estimated total cost of less than \$3 million (previously it was \$2 million).

Mobile Property

LMCIT provides physical damage coverage for mobile property (e.g., lawnmowers, Zambonis, and firefighter turnout gear) as an extra cost option to property/casualty members. Beginning with the 2016-17 coverage year, the mobile property coverage will still be an optional feature, but coverage will now be provided on a blanket basis for all mobile property, subject to a \$100,000 limit per unit (previously it was \$25,000). LMCIT can increase the \$100,000 limit for individual high value units for an additional charge.

For more information, see the League's web page on [Mobile Property Coverage](#).

Property Errors Coverage

The property coverage provides a safety net for cases where members inadvertently fail to report and schedule buildings and property-in-the-open (e.g., a golf course). The coverage is subject to a limit of 90% of the loss or \$500,000 per occurrence, whichever is less. Wording has been clarified to explicitly exclude coverage for errors in the valuation or errors in the scheduled value of covered property. Additionally, because of the change made on [mobile property](#) for the coming year, this type of property no longer applies as a covered category under the property errors coverage.

Workers' Compensation Coverage

Fellow Employee Exposure

The employers' liability coverage (which is part of the workers' compensation coverage) provides liability coverage for claims arising out of an employee's work-related injuries that aren't covered under the workers' compensation system. LMCIT has clarified that fellow employees are considered covered parties if named solely in a suit.

Other Insurance or Self-insurance Clause

If a city and a joint powers entity both apply for an injury to a board member of the joint powers entity, the injury will be covered by the joint powers entity's coverage. This change is a minor clarification.