



LEAGUE OF MINNESOTA CITIES INSURANCE TRUST 2018-19 PREMIUM RATES

2018-19 RATES

The League of Minnesota Cities Insurance Trust (the Trust) [Board of Trustees](#) annually reviews members' projected losses and expenses to determine premium rates. Rates are then designed to fund these costs. In many years a contingency margin is included to limit future rate volatility if losses turn out to be higher than projected.

CONTACT

If you have questions about the coming year's premium rates, contact your assigned underwriter at (651) 281-1200 or (800) 925-1122.

PROPERTY/CASUALTY PROGRAM

The following rate changes will go into effect for property/casualty coverages renewing on or after November 15, 2018.

Coverage	Rate Change
Average liability rates	0%
Per household rate (land use liability)	-10%
Per sewer connection rate (sewer backup liability)	-10%
Per police officer rate (police liability)	10%
Per employee rate (employment liability)	0%
Annual expenditure rate (all other liability)	0%
Property rates	2%
All other coverage rates	0%

For a member with a perfectly average mix of exposures, the average rate for all property/casualty coverages (property, liability, and auto) will increase less than 1%. However, specific rates within each of the liability classes shown in the table will fluctuate.

Three other changes are occurring this year:

1. We are modifying the rating methodology for auto liability coverage, which means some members' premiums will increase and others will decrease because of the transition to the new rating method. [Learn more about the new auto liability rating system.](#)
2. For property appraisals scheduled on or after January 1, 2019, we will begin conducting on-site property appraisals on all buildings, as well as any property-in-the-open location with a value of \$1 million or greater. [Learn more about the changes being made to the Trust's property appraisal program.](#)
3. For certain coverages, we use an experience rating component to adjust members' premiums. The formula for municipal liability has been updated, and we will begin using it in 2018-19. The formula largely mirrors what we've always used, except that auto liability will no longer be included in the formula. A new formula for auto liability will likely be introduced next year. [Learn more about experience rating.](#)

RATE IMPACT

This year's rate changes don't necessarily mean your premiums will increase or decrease by that exact amount. That's because premiums are also affected by changes in city expenditures, property values, payrolls, experience rating, and other exposure measures.

New auto liability rating method

The method for calculating auto liability premiums is changing from a two-territory system based on geography to a single statewide rating system. The new model will reallocate premium costs among members, meaning auto liability premiums will increase for some and decrease for others. Following is the new rate schedule.

Vehicle Class	Old Auto Liability Rate Schedule		New Auto Liability Rate Schedule
	Urban Rate	Rural Rate	Statewide Rate
Ambulance	\$179	\$158	\$135
Antiques	\$48	\$48	\$32
Fire Trucks	\$74	\$30	\$49
Garbage Trucks	\$653	\$653	\$580
Motorcycles	\$142	\$142	\$137
Parks & Public Works (Heavy)	\$363	\$186	\$319
Parks & Public Works (Light or Medium)	\$169	\$163	\$124
Passenger Vehicles	\$205	\$100	\$71
Police	\$564	\$383	\$519
Transit	\$1,861	\$1,861	\$1,633

To avoid steep increases for individual members, a transition mechanism is in place:

1. No member's total property/casualty premium will increase more than 15% per year; and
2. No member's auto liability premium will increase more than 100% per year.

If you have questions about this change or would like to discuss other ways to limit their impact, such as by increasing your deductible, contact your assigned underwriter.

Changes to the Trust's property appraisal program

We contract with HCA Asset Management (HCA) to provide property appraisals to all members at no additional charge. Each member receives an appraisal once every seven years. This helps ensure members' property premiums and coverage limits accurately reflect property values. [Learn more about the Trust's property appraisal program.](#)

For property appraisals scheduled on or after, January 1, 2019, HCA will conduct on-site appraisals on all buildings. In addition, appraisals will be conducted on any property-in-the-open location (e.g., monuments, golf courses, and bridges) with a value of \$1

ABOUT THE TRUST

Because members are committed to the Trust's not-for-profit philosophy, we can retain a healthy fund balance, which in turn helps members avoid premium rate fluctuations. Trust funds not needed for claims, expenses, or reserves are returned to members as a dividend.

million or greater to arrive at an estimated replacement cost value for each. Mobile property (e.g., tools, bobcats, and tractors) will not receive an on-site appraisal but assistance in estimating mobile property values is available by request. This approach will help reduce the burden on members that desktop valuations can create and decrease the risk of inaccurate values that can lead to insufficient coverage in the event of a loss.

WORKERS' COMPENSATION PROGRAM

Members with renewals on or after January 1, 2019 will see a 1% average increase in overall workers' compensation premium rates. There will also be adjustments to the relative rate levels for various job classes. [See the following page for the new relative rate levels.](#)

We use, to the extent possible, member loss experience for the preceding five-year period to determine rates for job classes. Every three years a detailed analysis is performed to verify the rates are properly allocated among the job classes. Where we don't have enough volume to assure plausible rates, the Trust supplements its data with data from the Minnesota Workers' Compensation Insurance Association. Because we provide coverage for almost all cities and most special purpose local government entities in Minnesota, the Trust can base its rates on the actual loss history of city-related payroll classes in Minnesota. And, because the Trust is a not-for-profit, member-owned organization, our goal is to avoid claims and maintain rates at low, sustainable, and steady levels.

The effect of these adjustments will depend on a member's own payrolls, job classifications, and associated rate changes. For a member with a typical mix of payrolls, class increases and decreases will largely offset each. As a result, most members will see a rate change within a relatively narrow band above and below the average 1% premium rate increase. However, a special purpose entity with most of its payroll in one or two classes could see a bigger effect.

RATE CHANGES

The property/casualty and workers' compensation rate changes for 2018-19 reflect changing loss patterns in recent years. In addition, the Trust Board has balanced maintaining low rates with the importance of maintaining a fund balance sufficient to limit rate volatility.

Rate Relativity Adjustments Effective Jan. 1, 2019				
This table details 2019 class rate changes for the bulk of city payrolls.				
Most job class rates are shown per \$100 of payroll.				
Rates for volunteer firefighters are shown per 100 of population.				
Class Code	Description	2018 Rates	2019 Rates	Rate change
5506	Street construction	\$9.66	\$9.04	-6%
7380	Ambulance	\$5.86	\$5.35	-9%
7381	Ambulance: volunteer	\$16.98	\$10.45	-38%
7502	Gas company	\$5.12	\$6.95	36%
7520	Waterworks	\$4.42	\$3.81	-14%
7539	Electric & steam plant	\$4.26	\$3.21	-25%
7580	Sewage disposal plant	\$4.89	\$4.56	-7%
7706	Firefighters	\$8.65	\$7.89	-9%
7708	Firefighters: volunteer	\$225.57	\$232.86	3%
7716	Firefighters: non-smoking	\$7.79	\$7.10	-9%
7718	Firefighters: volunteer, non-smoking	\$203.01	\$209.57	3%
7720	Police	\$4.90	\$5.56	13%
7721	Police: non-smoking	\$4.41	\$5.01	14%
7722	Police reserves	\$2.47	\$2.03	-18%
7723	Police reserves: non-smoking	\$2.22	\$1.83	-18%
8017	Off sale liquor store	\$4.38	\$3.97	-9%
8227	City shop & yard	\$3.87	\$4.25	10%
8810	Clerical office employees	\$0.72	\$0.71	-1%
9015	Building maintenance	\$5.24	\$6.75	29%
9033	Housing authority	\$3.03	\$2.66	-12%
9060	Golf course	\$1.99	\$1.16	-42%
9063	Community centers	\$2.79	\$2.49	-11%
9084	On sale liquor store	\$5.59	\$3.07	-45%
9102	Parks	\$5.27	\$5.48	4%
9182	City arena operations	\$2.58	\$3.33	29%
9403	Garbage	\$9.99	\$8.64	-14%
9410	Municipal employee	\$0.55	\$0.61	11%
9411	Elected or appointed officials	\$0.42	\$0.49	17%