



HANDBOOK FOR MINNESOTA CITIES

Chapter 18
Insurance and Loss Control

Table of Contents

I. League of Minnesota Cities Insurance Trust.....2

II. Insurance2

 A. Workers’ compensation.....2

 B. Property coverage.....5

 C. Liability coverage.....5

 D. Liquor liability.....9

 E. Automobile insurance.....10

 F. Fidelity and faithful performance bonds10

 G. Employee benefit programs.....12

 H. Sources of insurance.....13

III. Loss control14

IV. How this chapter applies to home rule charter cities.....15

This material is provided as general information and is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.



HANDBOOK FOR MINNESOTA CITIES

Chapter 18 Insurance and Loss Control

Insurance helps pay lawful claims and can provide a defense for meritless claims. Learn about basic and specialty insurance coverage, fidelity and faithful performance bonds, sources of insurance and more. Understand how loss control measures - the ongoing process of analyzing and responding to hazards - can reduce the likelihood that injuries will occur, and claims will be made.

RELEVANT LINKS:

[About LMCIT](#)
145 University Avenue West
St. Paul, MN 55103-2044.
(651) 281-1200.
(800) 295-1122.

[LMCIT Coverages.](#)

[LMCIT Loss Control.](#)

[LMCIT Claims.](#)

See LMC information memo,
[Comparing Coverage Quotes.](#)

[Minn. Stat. § 176.001.](#)

[Minn. Stat. § 176.531, subd. 2.](#)

I. League of Minnesota Cities Insurance Trust

The League of Minnesota Cities Insurance Trust (LMCIT) is a self-insured membership cooperative. It was created by Minnesota cities for Minnesota cities, and exists solely to serve its members. LMCIT's fundamental purpose is to cover city risks and to mitigate hazards, not show a profit for stakeholders.

This memo defines the basic insurance requirements that cities may consider if they are not a member of LMCIT. Cities who are members of LMCIT may reference additional resources or contact staff to learn more about the coverage and programs available to them.

II. Insurance

Best practices suggest that cities find an insurance provider that covers the unique exposures faced by Minnesota's cities for workers' compensation, liability, and property. When comparing insurance coverage quotes, it is important to consider cost, but it's just as important to consider what the carrier will and will not cover. It's easy to make insurance cheap by excluding coverage for certain things, but if coverage is excluded for a particular claim, it means the city must retain the cost of that risk.

A. Workers' compensation

The intent of the state workers' compensation law is to assure the quick and efficient delivery of indemnity and medical benefits to injured workers at a reasonable cost to employers. While the law does not require that a city carry workers' compensation insurance, cities, as employers, are liable and must pay compensation in every case of personal injury or death of an employee arising out of and during employment without regard to the question of negligence. The insurance protects cities from the potential loss of funds taken directly out of the general fund to pay a workers' compensation claim.

This material is provided as general information and is not a substitute for legal advice. Consult your attorney for advice concerning specific situations.

RELEVANT LINKS:

[Minn. Stat. § 176.021, subd. 1.](#)

[Minn. Stat. § 176.011, subd.16.](#)

[Minn. Stat. § 176.011, subd. 15 \(e\).](#)

[Minn. Stat. § 176. 011, subd. 16.](#)

[Minn. Stat. § 176.011, subd. 9 \(6\).](#)

1. Workers' compensation self-insurance

If your city's workers' compensation premium costs exceed \$250,000 a year, you may consider self-insuring. Self-insuring has long-term consequences and carries significant risk. For example, an employee's permanently disabling injury may require the city to make weekly benefit payments for decades. Because liabilities for workers' compensation injuries may affect a city's finances for many years, cities need to understand and evaluate carefully the nature and the potential extent of the risks the city has when it decides to self-insure. LMCIT can assist those cities in making this decision, and cities are also strongly encouraged to seek other professional guidance on whether to self-insure.

2. Regular employees

Workers' compensation law covers employees without regard to negligence or fault. However, not all injuries that occur at work or during work hours are compensable. State law defines the elements of a compensable injury as follows:

- The employee must sustain a personal injury (including mental impairment caused by post-traumatic stress disorder) or occupational disease.
- The personal injury or occupational disease must arise out of the employment.
- The personal injury or occupational disease must occur in the course of employment.

3. Elected officials

Elected or appointed officials of the city are not covered under state workers' compensation law unless the city takes action to cover them. State law says, "An elected or appointed city officer for a regular term of office, or to complete the unexpired portion of a regular term, shall be included only after the governing body of the political subdivision has adopted an ordinance or resolution to that effect." To stress this important point, if a city does not pass an ordinance or resolution stating the city considers its elected and appointed officials as employees for workers' compensation purposes, then an elected or appointed officer who is injured while performing his or her duties for the city would likely not qualify for workers' compensation benefits. As an aside, this is not the case with insurance coverage from LMCIT, which makes workers' compensation coverage for elected and appointed officials the default coverage option for members of the workers' compensation program.

RELEVANT LINKS:

[Minn. Stat. § 176.011, subd. 9 \(9\).](#)
[Minn. Stat. § 12.22, subd. 2a.](#)

[Minn. Stat. § 176.182.](#)
See LMC information memo,
[Competitive Bidding Requirements in Cities.](#)

[Wangen v. City of Fountain,](#)
255 N.W.2d 813 (Minn. 1977).

Therefore, cities within the LMCIT workers' compensation program need not pass an ordinance or resolution to cover elected and appointed officials.

Note that workers' compensation benefits are paid only when the individual's injury is the result of his or her city-related activity. There may be borderline situations in which it's debatable whether elected or appointed officers are conducting official business on behalf of and at the request of the city. For example, a mayor might be asked to attend a meeting of the Chamber of Commerce to discuss and explain city policies. Cities may consider adopting a policy that outlines specifically the activities that are within the scope of city-related duties.

4. Volunteers

Certain volunteers may qualify as "employees" for workers' compensation purposes. These include volunteer firefighters, ambulance attendants, first responders, law enforcement assistance volunteers, emergency management volunteers, and disaster assistance volunteers (if registered with the city and acting under the direction and control of the city). These "volunteers" may be able to receive workers' compensation benefits if they get injured while performing volunteer services for the city.

Other types of volunteers do not qualify as employees and, therefore, do not qualify for coverage under state workers' compensation law. However, an injured volunteer, although not covered through workers' compensation, may choose to pursue compensation through a tort claim, if the injury resulted (at least in part) by the city's negligence or the negligence of a city officer, employee, or other volunteer (and the injured wasn't more at fault than the city).

5. Contractors

By law, any contractor doing business with the city must provide evidence of having workers' compensation insurance. Evidence of compliance includes the contractor showing one of the following:

- Proof of insurance (name of insurance company, the policy number, and dates of coverage).
- Proof that he or she does not have employees (and thus is not an employer).
- Proof that he or she is self-insured.

Although the workers' compensation laws do not create any liability on the city's part for providing workers' compensation benefits for the employees of contractors without coverage, the city may still find itself responsible to pay benefits.

RELEVANT LINKS:

See LMC information memo, [Making and Managing City Contracts](#), Section IV, Managing risks in contract provisions.

[Minn. Stat. § 176.021, subd. 4.](#)

See LMC information memo, [National Flood Insurance Program](#).

For example, a court could determine that the contractor really acted as a subcontractor, and the city as the general contractor, therefore making the city liable for providing workers' compensation benefits to the subcontractor's employees.

An independent contractor, if a sole proprietor with no employees, might meet the criteria of a city "employee" entitled to benefits. When dealing with "sole proprietor" independent contractors, the city must proceed with caution to make sure the contractor meets the criteria of an independent contractor or purchases workers' compensation coverage. An employee cannot waive coverage rights under the Workers' Compensation Act.

B. Property coverage

Property insurance generally covers the loss of or damage to buildings, building contents, mobile equipment, and motor vehicles named in the policy due to the risks and hazards specified in the policy. Typical risks and hazards include fire and weather. Best case scenario, property insurance provides broad coverage, is simple and easy for the city to administer, and minimizes the potential for errors that result in inadvertent gaps in coverage.

Cities may want to consider purchasing flood and other water-damage insurance as well. A national flood insurance program provides coverage for buildings in flood-hazard areas, but the insurance has many limitations. Additional wrap-around insurance for these structures may be necessary to ensure adequate coverage.

Additionally, cities may consider machinery breakdown coverage. This type of coverage can protect the city from losses caused by machinery breakdowns.

C. Liability coverage

Cities often get sued for a person's injury or loss. Typically, these claims, called liability claims, include general liability, errors-and-omissions liability, police liability, ambulance liability, firefighter liability, employment liability, and so on.

1. What is liability coverage?

Liability coverage insures against claims made by a third party against the city, an officer or employee, or another covered party for losses or injuries to that third party. To prove city liability, the person injured or who suffered the loss must demonstrate all of the following:

RELEVANT LINKS:

Handbook, [Liability](#).

See LMC information memo, [Comparing Coverage Quotes](#).

- The city, or one of its officers or employees, acted negligently in the course of their duties.
- The negligent act or acts directly caused actual damages.
- The conduct causing the damages is not protected by immunity from liability claims.

2. Who should be covered?

Covered parties in a liability policy should include:

- City councilmembers.
- Members of boards or commissions.
- City volunteers (whether individuals or organizations).
- Other elected or appointed officials.
- City employees (whether full-time, part-time, or temporary).
- Relief associations and their officers, employees, and members.
- The ambulance service medical advisor or other medical advisor.
- Former city officers, employees, and volunteers.
- Officials or employees of a utilities commission, port authority, housing and redevelopment authority (HRA), economic development authority (EDA), redevelopment authority, municipal power or gas agency, hospital or nursing home board, airport commission, and joint powers board.

3. Types of coverage to include

The following types of claims present significant risk of liability exposure to cities. Importantly, to protect the city, consider seeking liability coverage that includes coverage for these risks (these are just some examples; see LMC information memo *Comparing Coverage Quotes* for more information):

- Libel, slander, defamation, and invasion of privacy arising out of comments made at a public meeting or in the performance of an employee's duties, especially arising out of the operation of a public-access or city cable TV channel, or a cable broadcast of council meetings.
- Claims that a police officer used unreasonable force.
- Liability for employment actions such as hiring, firing, disciplining, or promoting, including back wages awarded as damages for wrongful termination.
- Liability for claims of sexual or racial harassment.
- Claims for punitive damages to the extent permitted by law.
- Violations of civil rights, including payment of attorney's fees.

RELEVANT LINKS:

[Minn. Stat. § 471.59.](#)
Handbook, *Intergovernmental Cooperation*.

- Claims for indemnification of volunteer firefighters for automobile liability incurred while responding to a fire.
- Claims arising out of a city officer or employee's malfeasance, including defense costs of the person accused of malfeasance.
- Claims of Open Meeting Law violations against city officials. (These actions do not involve monetary damages, but rather an imposition of civil penalties; however, the costs of defense of these matters easily may exceed any penalty assessed.)
- Claims based on lead or asbestos contamination, accidental spills of pollutants, or mold.
- The fiduciary liability of city officials (including board members of a fire relief association).
- Claims arising from the failure to supply utilities.
- Legal costs for litigation relating to land use regulation or development (even if that litigation doesn't involve a claim for damages).
- Liability for underground tanks.
- Liability for fireworks displays (if the city owns, sponsors, or operates).
- Liability for claims arising out of strikes, riots, or civil commotion.
- Claims arising from data security breaches or other computer-related risks.

Note that cities may make a conscious decision to exclude certain types of claims from coverage, but best practice suggests that a city not make that decision merely by purchasing the least expensive policy. Every claim made against a city not covered by insurance represents a potential loss to the taxpayers. Retaining these risks, and the potential liability to pay for those risks, may save money on premiums, but a more predictable way to reduce costs is through deductibles. With deductibles, the city retains the financial responsibility for claims up to a certain dollar amount each year and can budget for this type of loss.

4. Joint powers entities

Joint powers agreements can provide an effective and efficient way to deliver various services to citizens. Cities often enter into agreements to provide:

- Police, fire, and other emergency services
- Building inspection
- Garbage removal
- Economic development
- Community recreation programs

RELEVANT LINKS:

Contact LMCIT for more information on [Joint Powers](#). (651) 281-1200 or (800) 925-1122.

It's important that cities consider reviewing joint powers contracts, including mutual aid agreements and service contracts involving the city. The joint powers entity may not have coverage under the city's liability policy if the contract creates a separate board with power to do any of the following:

- Receive and expend funds
- Enter into contracts
- Hire employees
- Purchase or acquire real or personal property
- Sue or be sued

The joint powers entity may be able to purchase liability coverage independently (and property and workers' compensation coverage, if appropriate), or one of the contracting governing bodies may be able to insure the joint powers entity under the governing body's own insurance policy.

5. Independent administrative boards

Best practice strongly suggests that cities that have the following independent administrative boards, whether created under statute or charter provisions, also have coverage for certain exposures:

- Gas, electrical, or steam utilities commission.
- Port authority, housing and redevelopment authority, economic development authority, municipal redevelopment authority, or other similar agencies.
- Municipal power or gas agency.
- Airport board or commission.
- Hospital, nursing home, or medical clinic board or commission.

The board (and the activities under their control) may be able to purchase liability coverage independently (and property and workers' compensation coverage, if appropriate), or the city may be able to insure the board under the city's own insurance policy.

6. Amounts of coverage

Tort claims can be filed against cities for alleged acts or omissions occurring in the performance of duty. Such claims can also be filed against city officers and employees. The liability limits are set by state law for claims arising from a single occurrence.

[Minn. Stat. § 466.04, subd. 1.](#)

RELEVANT LINKS:

[Minn. Stat. § 466.04, subd. 1 \(9\).](#)

Handbook, [Liability](#).

[Minn. Stat. § 466.06.](#)

[Minn. Stat. § 340A.603.](#)
[Minn. Stat. § 340A.801.](#)
[Minn. Stat. § 340A.90.](#)

[Minn. Stat. § 340A.409.](#)

[Minn. Stat. § 340A.409, subd. 1 \(3\) \(c\).](#)

The limit drops to \$1 million for any number of claims arising out of a single occurrence, if the claim involves a nonprofit organization engaged in or administering outdoor recreational activities funded in whole or in part by a city or operating under the authorization of a permit issued by a city.

These statutory limits, or caps, do not apply to all types of claims against the city or its officers or employees. The following claims either have no limits or higher limits on the monetary amount a claimant can recover:

- Contractual liability
- Eminent domain/condemnation
- Constitutional claims
- Federal civil rights violations
- Claims based on liquor sales

These statutory liability limits restrict the amount of money a claimant, injured by the city's negligence, could receive if the actual damages exceed the statutory liability limits. Some cities may, as a matter of public policy, wish to provide more protection to claimants to more fully compensate for injuries or losses that exceed the statutory limits of liability.

D. Liquor liability

Cities that operate on-sale or off-sale municipal liquor stores must purchase insurance to address their “dram shop” exposure—liability caused by the illegal sale of alcohol—such as to an obviously intoxicated person, to a person under the age of 21, or after hours. At a minimum, cities must have the following liquor liability coverage:

- Bodily injury (\$50,000 per person and \$100,000 for two or more persons in any one occurrence).
- Property damage (\$10,000 per occurrence).
- Loss of means of support (\$50,000 per person and \$100,000 for two or more persons in any one occurrence).
- Pecuniary loss (\$50,000 per person and \$100,000 for two or more persons in any one occurrence).

An annual aggregate policy limit for dram shop insurance of not less than \$310,000 per policy year may be included in the policy provisions.

Importantly, cities that authorize special event liquor sales by an entity associated with the city (such as a fire relief association) may consider dram shop insurance regardless of whether they have a municipal liquor store. Even though not mandatory, doing so can protect city taxpayers from liability arising out of an incident or action that may occur at the special event.

RELEVANT LINKS:

Handbook, [City Licensing](#).

[Minn. Stat. §§ 465.13-14.](#)

[Minn. Stat. Ch. 65B.](#)
[Minn. Stat. § 65B.49.](#)

[Janzen v. Land O'Lakes](#), 278 N.W.2d 67 (Minn. 1979).

Handbook, [City Administrative Staff](#).

[Minn. Stat. § 412.151, subd. 2.](#)
[Minn. Stat. § 412.111.](#)

[Minn. Stat. § 69.051, subd. 2.](#)

[Minn. Stat. § 469.051, subd. 6.](#)

Consider carrying liability coverage limits of at least \$500,000, and higher limits of \$1 million or more in any city with a municipal liquor store. Carrying less coverage exposes taxpayers to unfunded financial risks. A judgment against the city that exceeds the amount of coverage can be spread against all the taxable property in the city.

E. Automobile insurance

Minnesota requires all licensed vehicles to have no fault (personal injury protection or PIP) liability, uninsured, and underinsured coverage. These requirements generally apply to city automobiles and other vehicles (including unlicensed vehicles).

The uninsured/underinsured motorist coverage under state law helps ensure compensation to an injured driver who suffered injuries in an accident caused by an uninsured or underinsured driver. This coverage steps into the place of the liability insurance that the other driver should have possessed.

An injury to the driver while operating a city vehicle would, in most cases, be covered by workers' compensation. Under Minnesota law, an employer/workers' compensation insurer cannot bring a subrogation action against the employee's uninsured/underinsured motorist recovery.

F. Fidelity and faithful performance bonds

A fidelity bond covers the risk of employee dishonesty—the risk that an employee will steal the city's money.

A faithful performance bond covers any loss the city or a member of the public suffers because an employee failed to faithfully perform his or her duty. It could also cover a loss to the city due to an employee's carelessness, incompetence, malfeasance, willful neglect of duty, or bad faith. A faithful performance bond does not relieve an employee from the consequences of his or her wrongdoing. In certain circumstances that wrongdoing can result in an underlying criminal action against the employee. The performance bond, however, protects the city and the public.

The statutes require faithful performance bonds for certain officers. Following are the statutorily required bonded positions and the minimum amounts required:

- An officer or employee who by ordinance is made responsible for the clerk's bookkeeping duties must be covered by a fidelity bond. Cities may require any officer or employee to furnish a bond for proper handling of city money. If the council so decides, the bonds furnished by the clerk and treasurer must be corporate surety bonds.

RELEVANT LINKS:

[Minn. Stat. § 469.096, subd. 6.](#)
[Minn. Stat. § 349.167, subd. 1.](#)

- Relief association treasurers (the bond must be at least 10 percent of the relief association's assets, up to \$500,000).
- Port authority and economic development authority treasurers (the bond must be equal to at least twice the amount of money likely to be on hand at any one time, up to \$300,000).
- Gambling managers (the bond must be at least \$10,000).

The above amounts represent only minimums of coverage and, as a result, a city could require higher bond amounts. Some charters may require higher amounts and may also specify required coverage for other officers or employees.

[Minn. Stat. § 415.18.](#)

[Minn. Stat. § 574.20.](#)

Having faithful performance bond coverage for all employees of the city minimizes the risk of loss for the city. In addition to coverage for city employees, consider bond coverage for other city-related organizations, including employees of EDAs, port authorities, and HRAs.

As an aside, cities that have bond coverage through LMCIT can add EDA, port authority, and HRA employees by endorsement to the city's coverage. If the city has a fire department, the relief association is automatically a covered party on the city's bond coverage. But for cities and related entities that do not have bond coverage through LMCIT, working with an insurance agent to procure proper bond coverage is the typical process to follow.

Also, cities should be aware that any joint powers entities of which the city is a member are excluded under the city's LCMIT coverage. Accordingly, a joint powers entity generally needs to procure its own bond coverage, unless specific steps have been taken to add the joint powers entity to the city's coverage.

[Minn. Stat. § 415.18.](#)

When an officer or employee of any statutory or home rule charter city is required to furnish a fidelity or faithful performance bond, the governing body of the city, or the board or commission to whom the officer or employee is responsible, may provide for the payment of the premium on the bond from city funds.

[Minn. Stat. § 574.24.](#)
[Minn. Stat. § 574.25.](#)

When a person has a claim against a public employee covered by a faithful performance bond, the claim is to be paid first out of the property of the employee (if sufficient property can be found) and then out of the property of the surety.

When a city makes a claim against an employee under a faithful performance bond to recover a loss the city suffered because of an employee's mistakes or carelessness, the city essentially is saying that the employee failed to faithfully perform his or her duties and therefore the employee should repay the city for the loss he or she caused.

RELEVANT LINKS:

[Patient Protection and Affordable Care Act Cases.](#)

[See HR Reference Manual, Chapter 4.](#)

[League HealthCare Reform Resource Page](#)

[MNSure Website](#)

[IRS FAQs on ACA.](#)

G. Employee benefit programs

Insurance is available to fund a wide variety of employee benefit programs, including health, dental, disability, and life insurance coverage. The council usually decides the level of coverage available to city employees, although labor agreements may also determine insurance options for employees. The city may agree to pay all or a portion of the cost as a part of its employee-compensation package. No state or federal law requires cities to offer health insurance coverage to either full- or part-time employees. However, the League encourages cities to establish their eligibility requirements in a personnel policy or collective bargaining agreement to avoid allegations of discrimination based on any protected status. In addition, the insurance carrier may have minimum requirements relating to eligible employees.

Cities need to make sure they are complying with the federal Affordable Care Act (ACA). On Feb. 10, 2014, the IRS released the final regulations implementing the employer shared responsibility mandate, which affects many cities.

Congress passed, and President Obama signed the omnibus bill in December 2015, which included a two-year moratorium on the so-called “Cadillac Plan Tax.” Subsequent legislation has delayed the effective date of this new tax, which is currently scheduled to be effective for taxable years beginning January 1, 2022.

The Cadillac Plan Tax, enacted as part of the ACA, is an excise tax (40 percent) that applies to the cost of employer-sponsored health coverage that exceeds certain threshold limits—\$10,200 for self-only coverage and \$27,500 for family coverage—increased each year after the effective date. The Cadillac Plan Tax effective dates and thresholds are based upon current guidance, and like many other ACA regulations, could change with future legislation. If this tax is implemented, it could have a large impact on city budgets. The League will keep cities apprised of any further guidance from Congress.

The U.S. Department of Labor (DOL) released guidance in 2014 pertaining to employers reimbursing employees for individual health insurance plans, on either a pre-tax or after-tax basis. This guidance primarily affects cities that do not meet the definition of “large employer” under the ACA because large employers typically do not offer this type of arrangement.

Employers are permitted to disregard seasonal employees when determining employer size if the employer’s workforce exceeds 50 full-time equivalent (FTE) employees for no more than 120 consecutive days, and the number of employees exceeding 50 during that time were seasonal employees, based upon the prior years’ average number.

RELEVANT LINKS:

Health Care Reform, [LMC Web site](#).

While most health care reform provisions apply to employers uniformly, regardless of size, there are a few provisions that may specifically benefit small cities that qualify as small employers. The benefits to small employers include:

- Exemption from penalties since they need not offer coverage.
- Availability of coverage through state exchanges effective Jan. 1, 2014.
- Exemption from reporting health care costs on W-2s.
- The ability to use a SIMPLE Cafeteria Plan.
- The option to provide a Qualified Small Employer Health Reimbursement Arrangement (QSEHRA) that reimburses employees for the medical care expenses of the employee, the employee's spouse, and the employee's dependent children, including individual health insurance policies purchased on the individual market. Certain requirements must be met before a city offers a QSEHRA.

There are other provisions and compliance issues associated with health care reform for all employers, such as requirements for coverage of preventive care, prohibitions against pre-existing exclusions, essential benefits, break times for nursing mothers, and other employee protections.

The Department of Labor and the IRS continue issuing critical guidance regarding implementation details for health care reform. We recommend you visit the League website for the most up-to-date information and guidance on federal health care reform legislation and pending regulations. Due to the uncertainty of the ACA and President Trump's efforts to repeal and replace it, it is unknown at this time how any potential legislation might impact 2019 renewal.

The ACA has reporting requirements for providers of health insurance and applicable large employers. Reports must be sent annually to covered individuals and to the IRS. Cities are encouraged to plan ahead each year to meet these reporting deadlines.

H. Sources of insurance

LMCIT offers the types of coverages addressed in this chapter, and more. Many commercial sources sell this insurance, too; however, in LMCIT's experience reviewing coverage options for cities, the private industry's standard policies often do not address the unique coverages usually needed by cities.

LMCIT offers the types of coverages addressed in this chapter, and more. Many commercial sources sell this insurance, too; however, in LMCIT's experience reviewing coverage options for cities, the private industry's standard policies often do not address the unique coverages usually needed

RELEVANT LINKS:

See LMC information memo,
[LMCIT Eligibility Requirements](#).

LMCIT offers the types of coverages addressed in this chapter, and more. Many commercial sources sell this insurance, too; however, in LMCIT's experience reviewing coverage options for cities, the private industry's standard policies often do not address the unique coverages usually needed by cities. Best practice suggests that insurance decisions should consider the types, levels, and areas of coverage, not price alone.

Member cities collectively own and control LMCIT. LMCIT does not operate as a for-profit organization. When income from premiums and investments exceeds losses and expenses, the extra funds are returned to member cities as dividends. LMCIT emphasizes coverage inclusion, not coverage exclusion. Loss control (avoiding losses) is also important; it helps reduce claims, ultimately benefiting all LMCIT members.

III. Loss control

Cities may take practical steps to avoid losses and reduce the cost of any losses that might occur. Loss control seminars, various risk management publications, and visits by loss control representatives all help avoid or minimize potential losses by highlighting areas of concern. Some cities may employ individuals who have risk management responsibilities. If your city is not a member of LMCIT, it can still access LMCIT publications and attend LMCIT educational seminars.

Losses can be controlled by following some best practices, including:

- Improving personnel practices to reduce claims for wrongful termination, sexual harassment, discrimination, and other employment-related matters.
- Reviewing city contracts, including joint powers and mutual aid agreements, to avoid common contract liability exposures when working with other individuals or organizations.
- Implementing sound ergonomic practices to reduce or avoid repetitive work injuries.
- Training for emergency vehicle drivers.
- Doing preventive maintenance to reduce injuries.
- Adopting internal controls to reduce the likelihood of embezzlement.

Even though insurance covers many claims, loss control measures may reduce the cost of the insurance. Specifically, LMCIT bases rates on the actual cost of anticipated losses, and profit is not a consideration.

RELEVANT LINKS:

IV. How this chapter applies to home rule charter cities

This chapter applies to all home rule charter cities, some of which may require certain types of insurance and levels of coverage in addition to those specified by law.