



INFORMATION MEMO

LMCIT Eligibility Requirements

Learn about participation, eligibility, and League membership requirements in the League of Minnesota Cities Insurance Trust.

RELEVANT LINKS:

[LMC Membership Dues.](#)

I. LMCIT participation and eligibility

Participation in the League of Minnesota Cities Insurance Trust (LMCIT) is generally open to any city that's a member of the League of Minnesota Cities (LMC). Certain other types of political subdivisions can also join the League and become eligible for LMCIT coverage. There are also several different types of city-related entities that are also eligible for LMCIT coverage, and these are summarized below.

A. Joint powers boards and entities

A joint powers entity is eligible for coverage through LMCIT as long as at least one of its constituent political subdivisions is a League member city. A joint powers entity does not itself have to become a League member.

B. Special purpose political subdivisions

The statutes provide for quite a few different kinds of special purpose political subdivisions. Some examples we commonly run into are watershed districts, hospital districts, and sanitary districts. Other examples include mosquito control districts, fire districts, lake conservation districts, and regional development commissions.

A special purpose district is eligible for coverage through LMCIT, but it must first become a subscribing member of the League. If the district joins the League during the membership year, the first year's dues will be prorated.

Keep in mind the entity's name doesn't always tell you what kind of entity it is. The fact that it has the word "district" in the name doesn't necessarily mean it's a special purpose political subdivision. A good example is the Chisago Lakes Area Sanitary District, which is actually a joint powers entity formed by several cities.

The key issue is how the entity was formed. A joint powers entity is created by an agreement or contract among two or more political subdivisions. A special purpose political subdivision is created either directly by statute or by following a procedure specified in the statutes.

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

C. City boards, commissions, and authorities

LMCIT can provide coverage for independent city boards, commissions, and authorities such as utilities commissions, hospital or nursing home boards, airport boards, economic development authorities, housing and redevelopment authorities, and port authorities. These organizations can be covered either under the city's coverage or by issuing separate coverage. City boards and authorities don't need to become League members to be eligible for LMCIT; they're eligible by virtue of the city's League membership.

D. Private nonprofit corporations

LMCIT can provide coverage to a private corporation only under fairly limited circumstances. The corporation must be a nonprofit corporation and must qualify as an "instrumentality" of a member city. The definition of an "instrumentality" can be a bit confusing, but generally the key questions are whether the corporation is serving a city purpose and whether its articles of incorporation and bylaws, and/or other documents such as contracts, give the city a reasonable degree of control over the corporation's activities.

Independent fire departments are common examples of nonprofit corporations that will usually qualify as instrumentalities; cable access corporations are another example. Some development corporations will qualify as instrumentalities, but many do not since there's often little connection to or control by the city.

A nonprofit corporation that qualifies for coverage doesn't need to become a League member. However, the city it is associated with does need to be a member.

If the nonprofit corporation qualifies as a city instrumentality, LMCIT can provide coverage either by adding the corporation onto the city's coverage, or by issuing separate coverage to the corporation. However, before LMCIT can issue separate coverage, the city must pass a resolution requesting LMCIT to do so and agreeing to be secondarily responsible for any premiums, deductibles, assessments, or other amounts the corporation may owe to LMCIT.

See LMCIT [Sample Resolution Requesting Coverage for a Nonprofit Corporation](#).

E. Other instrumentalities

There are also some other entities that can qualify as instrumentalities of cities, and to whom LMCIT can provide coverage. These might include housing and redevelopment authorities, economic development authorities, and utility commissions, for example. Generally, these entities don't need to become League members; they're eligible by virtue of their affiliation with a member city.

F. Associations of public officials

Associations of city officials are another type of entity that may be eligible to participate in LMCIT. These associations are typically organized as nonprofit corporations. An association is eligible for LMCIT membership if it qualifies as an instrumentality of cities by meeting the following criteria:

- The association's articles of incorporation or bylaws must clearly identify a valid municipally related purpose for the entity's existence.
- The membership group must consist predominantly of city officials.
- A majority of the governing board must be city officials.

Like other city instrumentalities, an association that qualifies does not need to become a League member, as long as it is affiliated with a member city. The Minnesota State Fire Chiefs Association, the Minnesota City/County Management Association, and the Metro Area Managers Association are examples of associations that currently participate in LMCIT for coverage.

G. Native American tribes

LMCIT doesn't have the legal authority to accept a Native American tribe as a member. The reason is that tribes are sovereign nations and not political subdivisions of the state.

H. Townships

Any township is eligible to participate in the LMCIT workers' compensation program, but not the property/casualty program. To be eligible, the township must pay a special "access charge" annually to the League. This "access charge" equals 75 percent of the League's standard dues for a city of the same population. This entitles the township to participate in the workers' compensation program, but the township does not receive any other LMC or LMCIT services. (This LMC charge is in addition to the LMCIT premiums for workers' compensation coverage.)

RELEVANT LINKS:

[LMC Membership Dues.](#)

[Minn. Stat. § 368.01, subd. 1.](#)

[Minn. Stat. § 368.01 subd. 1a.](#)

[Minn. Stat. § 368.01 subd. 1.](#)

[LMC Membership Dues.](#)

An “urban town” that’s a League member is eligible to participate in any LMCIT program. An “urban town” is a township to which the statutes give many of the powers of a statutory city.

An urban town must become a League member in order to be eligible for LMCIT coverage. An urban town that is a League member can then participate in any of the LMCIT programs. League dues for an urban town are figured on the same sliding population-based schedule used for cities. There are four ways a town can qualify as an urban town:

- The Legislature sometimes creates an urban town by special law.
- A town with at least 1,200 people living on platted property is an urban town.
- In a town with a population of at least 1,000, the voters can vote at a town meeting to adopt urban town powers.
- Certain towns within 20 miles of the city hall of a first class city also qualify to be urban towns.

I. Transit operations

Many but not all transit operations in Minnesota are eligible for coverage through LMCIT. Two types LMCIT can’t cover are transit operations that are run solely by a county or by a for-profit corporation.

LMCIT can provide coverage for t transit operations that are:

- Run by a member city.
- Run by a joint powers board, provided that at least one member of the joint powers board is a member city.
- Run by a special purpose political subdivision or district, provided the district becomes a member of the League.
- Run by a nonprofit corporation, provided the corporation is an “instrumentality” of a member city, the city requests LMCIT to provide coverage, and the city agrees to be secondarily responsible for any premiums or deductible reimbursements the corporation may owe to LMCIT.

Sorting out which nonprofit corporations LMCIT can and can’t cover is often confusing. The issue stems from the fact that LMCIT is a governmental self-insurance pool, and not an insurance company. Unlike a private insurance company, LMCIT has only limited legal authority to provide coverage for a private nonprofit corporation. Specifically, LMCIT can do so only if the corporation is an “instrumentality” of a city. To determine this, there are two main factors to look at:

RELEVANT LINKS:

- Whether the corporation is organized for a city purpose. Is the corporation's function something which the city has the authority to do? For a nonprofit corporation involved in transit, this factor isn't a problem since providing transit is clearly a public purpose.
- Whether the city can exercise some reasonable degree of control over the corporation's activities. This is often the more difficult factor to evaluate because there isn't specific law outlining how much city involvement and control is enough. In general, things to look at are whether the corporate bylaws give the city a role in appointing or approving the corporation's board, whether the city has a role in reviewing or approving the corporation's budget, whether the corporation is required to report regularly to the city, and so on.

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II. Additional assistance

To find out if a particular political subdivision or other type of city-related entity is eligible for LMCIT coverage, or if you're not sure of the legal status of the entity you're dealing with, LMCIT can help you.