



October 28, 2018

Agenda Item __

To: LMCIT Board of Trustees

From: Dan Greensweig

Re: **City of Lake Elmo Coverage Terms Review**

Attachments

- 9.7.16 LMCIT Board Meeting Agenda Item – City of Lake Elmo Coverage Terms
- Letter from Lake Elmo City Administrator regarding coverage terms

Recommendation

Eliminate Lake Elmo’s special underwriting conditions upon the City’s January 1, 2019 renewal date.

Summary

As the result of significant issues among councilmembers and a substantial amount of City staff turnover, the LMCIT Board acted on September 7, 2016 to raise the City’s deductible from \$500 to \$200,000 on all liability claims other than those for bodily injury and property damage. At the Board’s direction, LMCIT staff prepared a review of the situation in June 2017. That review noted some progress had been made but that the situation remained somewhat uncertain and the Board at that time decided to maintain the \$200,000 deductible in place, subject to an additional review in time for the City’s January 1, 2018 renewal. In October 2017 the Board determined to maintain a \$200,000 for employment and land use claims, maintain the deductible at \$500 for bodily injury and property damage claims, and establish a \$100,000 deductible for all other types of property/casualty claims.

Since that time, staff has had several conversations with city representatives, reviewed media reports, and watched several council meetings. The City has made significant progress and while there are still policy differences, they are generally handled professionally and civilly. Staff turnover is no longer a concern and the City Administrator and Council appear to each understand their appropriate roles. In light of this and LMCIT precedent with respect to other members that have had special underwriting conditions imposed in the past, LMCIT staff is recommending eliminating special underwriting conditions effective for the City’s January 1, 2019 renewal.

Discussion

During 2015 and 2016, Lake Elmo suffered from a great deal of conflict among councilmembers. This caused serious interpersonal relationship problems, which made the councilmembers almost unable to work with each other and led to an enormous amount of staff turnover, perhaps as high

as 90 percent over an 18-month period. Ultimately, LMCIT imposed a \$200,000 deductible on all liability claims other than those for bodily injury and property damage. This background is outlined in more detail in the attached September 7, 2016 memo.

By October 2017, the City had made noticeable progress. Council meetings were shorter and less rancorous and staff morale had improved considerably. A potentially controversial decision to fold the City library back into the Washington County system passed unanimously and other relationships with other units of government had improved. Media attention had largely died down and the City was generally operating like most of our other members. In response, LMCIT staff recommended lowering the minimum deductible to \$100,000.

The LMCIT Board discussed the situation at some length at its October 2017 meeting. Ultimately, while acknowledging the progress, the Board determined that it would be prudent to wait through another underwriting year before lowering the deductible for employment and land use claims, the areas in which Lake Elmo was seen as having the most risk. As a result, the City's coverage this year has included a \$200,000 deductible for employment and land use claims, a \$500 deductible for bodily injury and property damage claims, and a \$100,000 deductible for all other types of property/casualty claims.

2018 has shown continued improvement. Council meetings are efficient and well-managed, often wrapping up in two hours or less, even when dealing with relatively complex land use questions. City staff and consultants are experienced and knowledgeable and allowed to use their expertise and interactions between Councilmembers and staff are professional and mutually respectful.

Perhaps most important, interactions among Councilmembers are much better. While policy differences remain, they are treated as policy differences, not as personal affronts. Similarly, while there are still occasional split decisions, it is more difficult now to predict who will vote together, an indication Councilmembers are evaluating issues on merit and not on the relationships among each other. In fact, all Councilmembers deserve credit for their efforts to improve the climate and operations within City Hall.

This is reflected in the attached letter from City Administrator Kristina Handt. LMCIT staff met with City representatives, including the City Attorney, in July to get their perspective and there was unanimous agreement there is an air of normalcy. LMCIT staff originally intended to bring the issue to the Board in October, but on further consideration decided to wait until November to make sure that the election season had not reignited old divisions. There is no sign of that having occurred.

While there is no guarantee that problems will not appear at some point, that can be said about most LMCIT members. At this point, after two years of relative stability, LMCIT staff believe that Lake Elmo no longer poses an unreasonable risk to the other members of the Trust. That is roughly the period of stability we have looked for in other cases before removing underwriting conditions.

LMCIT has typically taken a phased approach to relaxing underwriting conditions. That has allowed us to gain greater confidence that the improvements we were seeing were sustainable. This table shows what we did in other cases where special underwriting conditions were imposed:

Maplewood

2007	10 percent debit applied to City's liability premiums.
2008	\$200,000 deductible imposed on employment or related claims. Excess liability and open meeting law coverage not offered.
2009	No change.
2010	\$100,000 deductible imposed on employment or related claims. Other liability coverage subject to \$50,000 deductible. Excess liability coverage offered.
2011	Full coverage offered.

Total losses for the five-year period of 2004-08 were approaching \$2,500,000, compared to premiums of about \$1,000,000.

Greenfield

June 2009	\$200,000 deductible imposed on employment-related liability claims and all claims involving suits by current or former city officials or employees against city or against any other current or former city official or employee.
Nov 2009	Liability coverage restricted to bodily injury or property damage only.
2010	No change.
2011	Full coverage offered, subject to \$50,000 deductible for liability claims other than bodily injury or property damage and exclusions for liability claims brought by City officials and open meeting law claims.
2013	Full coverage offered.

Total losses for the five-year period of 2005-09 were approximately \$800,000, compared to premiums of about \$100,000.

McGrath

2009	Liability coverage restricted to bodily injury or property damage only. Excluded were claims arising from or relating to sale, ownership or control of community center building, and land use, development, and franchise/enterprise operations litigation.
2010	Full coverage offered, but previously excluded claims were subject to \$50,000 deductible.
2011	Full coverage offered, but previously excluded claims were subject to \$10,000 deductible.
2012	Full coverage offered ¹

By comparison, Lake Elmo's losses for the 2014-18 period were \$378,071, while the premiums were \$414,066. Notably, losses were \$31,696 in 2017 and have only been \$8,715 so far in 2018.

The City is aware of staff's recommendation and will be receiving a copy of this memo. We expect one or more City representatives will attend the LMCIT Board meeting and may wish to speak if permitted.

¹ McGrath's premiums are only about \$4,500 per year and the premium/loss comparison is not particularly meaningful in the context of much larger members.