

Memorandum

TO: City Council
FROM: Travis Byrne , Assistant finance director
DATE: April 20, 2026
SUBJECT: Award 2026 Insurance policies
ITEM NUMBER: 8.h
SECTION: CONSENT AGENDA

REQUESTED MOTION

To award the 2026 city insurance policies for Property, Mobile Property, Municipal Liability, Automobile, Crime, Open Meeting Law, Employee Dishonesty Bond, Equipment Breakdown, Volunteer Accident, Data Breach coverage, and Workers' Compensation coverage to the League of Minnesota Cities Insurance Trust (LMCIT), and elect not to waive statutory tort limits or purchase additional coverage.

To award the 2026 Shoreview EDA insurance policies for Municipal Liability, Automobile, Crime, Open Meeting Law and Employee Dishonesty Bond to the LMCIT and elect not to waive statutory tort limits or purchase additional coverage.

INTRODUCTION

Annually, the city council considers approval of the city's insurance coverage, as well as coverage for the EDA. The policy period runs from January 1 to January 1 of each year.

DISCUSSION

A breakdown of premiums by policy for the city, including a comparison to prior years, is provided in the table attached. Overall, the city's insurance premiums will increase \$7,308 for the policy period in 2026, a 1.96% increase over last year.

Premiums for the EDA are shown in the attached table, with a total premium decrease of \$124 (4.32%) from last year. This decrease is due to decreased expenses in the EDA and HRA funds from the prior year.

An explanation of significant fluctuations is as follows:

Property Casualty/Liability: The 2026 property casualty/liability premiums increased overall by \$23,343 (11.50%). The LMCIT Board of Trustees approved a number of changes to property casualty/liability coverage for the coming year. Premium rates saw an average decrease of 2% this year, with a 5% decrease for property, except for electric utility property, which saw a 10% increase. There was also a 10% increase for auto physical damage, and a 4% increase for excess liability. There was no rate change for liability coverage or any other

property/casualty coverages, based on the League's evaluation of projected losses and expenses. There are three main drivers contributing to the increase in premiums for property coverage not being the 5% average rate decrease. First, the cities projected expenditures for 2026 increased 38%. Additionally, the insured value of the city's property increased 5%. Lastly, the City increased the option cyber coverage from \$500,000 to \$2,000,000.

Workers' Compensation: The city's workers' compensation premium decreased \$16,035 (9.44%). This was due to an average premium rate decrease of 25%, however, premiums will be impacted differently depending on the particular mix of payroll by job class. The experience modification factor adjustment is a result of an increase in workers' compensation claims occurring in the 3 years prior to the renewal period, and increased from .93 to 1.05 in 2026. Rates are based on budgeted wages, which are 6.9% higher than the prior year. Any variance from the estimated wages will be accounted for with the annual Workers' Compensation audit in January 2027.

Other Insurance issues:

City of Shoreview EDA Workers' Comp Coverage: Coverage for workers' compensation for the city's EDA is provided for in the city's insurance policies.

Large deductible savings: The city's insurance policies are subject to a \$25,000 deductible for each occurrence, with an annual aggregate limit of \$75,000. Selecting the \$75,000 optional large deductible option results in premium savings of \$109,601 over a \$1,000 deductible. LMCIT has not allowed changes to Annual Aggregate deductible options as they no longer offer them. If the City were to change from an Annual Aggregate deductible to a standard \$1,000 deductible, they would be unable to go back to an Annual Aggregate structure in the future. Based on past claim history staff is recommending the \$25,000/\$75,000 large deductible option.

OPTIONAL EXCESS LIABILITY COVERAGE

The city's tort liability coverage is \$1,500,000 per occurrence and \$500,000 per claimant. This liability limit applies in all claims to which the state statutory tort limits apply. However, should a case be filed in Federal court, such as a discrimination suit, the immunity law does not apply. Excess liability coverage of \$1,000,000 is available. If the city elects to carry the coverage, we would have \$2,500,000 of total coverage.

If the city waives the statutory tort limits and purchases excess liability coverage, a single claimant could potentially recover an amount up to the limit of coverage purchased. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants. This premium for the excess liability coverage is \$20,762 for the city and \$2,774 for the EDA. The city's insurance agent has indicated that most of the cities that they insure through the LMCIT do not carry this insurance and depend on the immunity law to protect them.

After considering the premium cost compared with the likelihood of the city's need for additional coverage, staff does not recommend waiving statutory tort limits or purchasing excess liability coverage for 2026. The city council has concurred with this recommendation for the past several years and elected not to waive statutory tort limits or purchase this

additional coverage.

OPTIONAL DATA BREACH COVERAGE

The standard limit for first-party data breach response expenses is \$250,000 annually in the aggregate. Historically, the City has elected to carry \$500,000 in optional coverage in the event of a data breach involving City data. Prior to 2026, the League did not offer coverage beyond the \$500,000 limit; however, additional coverage options became available beginning in 2026. After reviewing the City's exposure with the IT Department, it was determined that \$500,000 in coverage would be insufficient to cover the potential costs associated with a significant data breach, including financial losses and equipment replacement. Staff recommends that the City continue carrying this coverage and increase the annual aggregate limit to \$2,000,000. The cost for the increased coverage is \$12,334, representing an increase of \$6,909 compared to the prior year.

RECOMMENDATION

The city's total insurance package of \$379,813 (including the Large Deductible Option) is a \$7,308 increase from last year. If the city dropped the \$25,000/\$75,000 deductible option, and chose the standard \$1,000 deductible, premiums would increase an additional \$109,601. The EDA's total insurance package of \$2,744 is a \$124 decrease over last year, which includes a \$1,000 deductible option.

It should be noted that one advantage of participating in the LMCIT plan for insurance is the potential for an annual dividend. LMCIT has decided to wait until June 2026 to make decisions about whether to return program dividends to members for the fiscal year ending in 2025. This change aligns with the Trust's recent transition to a calendar-year fiscal schedule and allows for a more accurate assessment of financial performance across the full fiscal period. The City has previously received annual dividends of more than \$20,000.

The motion approves existing insurance coverage for the period January 1, 2026 through January 1, 2027 and election not to waive statutory tort limits or purchase additional coverage. Staff recommends approval of the motion.

ATTACHMENTS

[Premium_change_charts.pdf](#)