

LMCIT Auto Coverage Guide

Understand auto liability, auto physical damage, no-fault, and uninsured/underinsured coverage offered by the League of Minnesota Cities Insurance Trust (LMCIT), including coverage options, provisions, proof of insurance requirements, and how coverage works in specific situations such as the use of personal vehicles on member business and coverage for impounded or seized autos. Includes information on filing an auto claim.

RELEVANT LINKS:

See LMC website, [About the Trust](#).

For more information contact the LMCIT Underwriting Department
651.281.1220
800.925.1122.

See also LMC information memo, [LMCIT Property, Crime, Bond, and Petrofund Coverage Guide](#), Section I.C.1.e, *Mobile equipment*.

I. Auto coverage

This guide provides a summary of auto coverage available through LMCIT. Members are urged to examine the coverage document for actual wording. In all cases, the coverage documents determine coverage, exclusions, and limitations.

II. Auto liability coverage

The auto liability coverage provides coverage for amounts members are legally obligated to pay as damages because of bodily injury or property damage arising out of the ownership, maintenance, or use of any automobile. Generally, an automobile is defined as a land motor vehicle, trailer, or semi-trailer designed for travel on public roads.

Mobile equipment such as bulldozers, snowmobiles, farm machinery, forklifts, and other vehicles designed for use principally off public roads are not defined as automobiles for the purpose of auto liability coverage. Rather, coverage is provided for this kind of equipment under LMCIT's property coverage.

A. Covered parties

In addition to the member and any other entity named in the coverage documents, the following are also considered covered parties under the auto liability coverage:

- Any present or former elected or appointed official, employee or volunteer who is using an auto while during member business.
- Other permissive users of autos owned or hired by the member.

RELEVANT LINKS:

LMC information memo,
[LMCIT Liability Coverage Guide](#), Section I.D.3,
Purchasing higher liability limits.

[Minn. Stat. § 466.04.](#)

LMC information memo,
[LMCIT Liability Coverage Guide](#), Section I.D.2,
Statutory liability limits.

See Section VI.A, Operation
of employees' or volunteers'
vehicles for city business.

B. Auto liability limits

The standard limit of liability under LMCIT's auto liability coverage and municipal liability coverage combined is \$2 million per occurrence. This limit applies regardless of whether a claim falls under the municipal liability coverage, auto liability coverage, or both. Excess liability coverage is available as an option to secure higher limits.

Although the per occurrence limit under LMCIT's auto liability coverage is \$2 million, the statutory municipal tort cap limits the amount recoverable to \$500,000 per claimant and \$1.5 million per occurrence. Members must decide whether to waive the statutory limits during their annual coverage renewals. If the tort limits are waived, the member is waiving the protection of the statutory limits up to the amount of coverage the member has. If the limits aren't waived, the member's liability is limited by the statute to no more than \$500,000 per claimant and \$1.5 million per occurrence.

C. Auto liability exclusions

A few notable exclusions include:

- Benefits typically handled under workers' compensation, unemployment compensation, or disability coverage.
- Bodily injury to an employee of the member arising out of and in the course of employment.
- Damage to property owned by the member.
- War, insurrection, rebellion, or revolution.
- Pollution-related claims. (Narrow exception for claims due to a sudden and accidental release of pollutants, subject to a \$50,000 per occurrence and \$100,000 annual aggregate limit.)
- Racing, pulling, pushing, speed or demolition contests, exhibitions or stunting activities.

III. Auto physical damage coverage

Auto physical damage coverage applies on a blanket basis for vehicles the member owns, leases, rents, or borrows, unless the member specifically elects not to cover a vehicle or vehicles.

As a point of clarification, when an employee or volunteer uses his or her personal vehicle on member business, that vehicle is *not* considered a "borrowed" vehicle and is not a covered auto under the LMCIT auto physical damage coverage.

A. Actual cash value coverage

As the default, auto physical damage coverage is provided on an actual cash value (ACV) basis.

The most LMCIT will pay for loss or damage is the smaller of the following amounts:

- The actual cash value of the damaged or stolen property at the time of the loss or damage;
- The cost of repairing or replacing the damaged or stolen property with other like kind and quality; or
- \$2,000,000.

The costs for towing, storage and teardown to assess damage are in addition to the limit stated above.

If members acquire a vehicle valued at more than \$2 million, contact LMCIT about adjusting that limit.

For antique vehicles, auto physical damage coverage is provided on an “agreed amount” basis, wherein the member and LMCIT agree on the value of the antique vehicle. That amount is then used as the coverage limit in the event of a loss and for the purposes of premium calculations.

B. Enhanced auto physical damage coverage

Enhanced limits can be provided by endorsement for some vehicles, but members must specifically request the vehicles be listed on an endorsement, and LMCIT must accept the request. Enhanced auto physical damage coverage is generally available for vehicles that are less than 10 years old with some exceptions for older vehicles that have been well-maintained, overhauled, or updated as needed.

When this coverage is selected, the total loss threshold is 80 percent of the ACV of the auto. In a total loss situation (i.e., repairs are equal to or greater than 80 percent of the ACV), the coverage will provide for the smaller of:

- 200 percent of the actual cash value of the auto;
- The cost of an equivalent new auto without deduction for depreciation; or
- The limit stated in the endorsement.

The limit or value listed on the endorsement should be carefully considered and reviewed to ensure members are not paying more premium than needed. The limit stated on the endorsement should reflect the following:

RELEVANT LINKS:

[Minn. Stat. § 65B.61.](#)

[LMC information memo,
LMCIT Workers'
Compensation Coverage
Guide.](#)

[Minn. Stat. § 65B.47 Subd. 2.](#)

[Minn. Stat. § 65B.47 Subd. 2.](#)

[Minn. Stat. § 65B.47 Subd. 3.](#)

- If the ACV of the auto is more than 50 percent of the cost of an equivalent new auto, the endorsement should reflect the cost of an equivalent new auto; or
- If the ACV of the auto is less than 50 percent of the cost of an equivalent new auto, the limit on the endorsement should reflect 200 percent of the ACV of the auto.

IV. No-fault personal injury protection coverage

Members are automatically provided no-fault personal injury protection (PIP) coverage on all member vehicles, including police, fire, and ambulance vehicles (the coverage part in the LMCIT coverage agreement is titled “Basic Economic Loss Benefits Coverage”). The primary purpose of PIP coverage is to cover injuries to the operator or occupants resulting from an accident in that vehicle.

Generally, PIP coverage would not come into play if an employee operating a member vehicle on member business was injured in an accident. Most medical costs, treatment, and other necessary services would be covered by workers’ compensation. However, if workers’ compensation benefits do not fully compensate the employee who was injured while working, PIP benefits can make up the difference.

There are a few situations in which PIP coverage on a member vehicle applies:

- If the injured occupant of a member-furnished auto is an employee or relative of an employee, the PIP coverage for the member’s auto would apply first. If the injured occupant of a member-furnished auto is not an employee and not a relative of the employee, the injured occupant would turn first to their own personal auto policy.
- Members’ internal policies may allow employees to use vehicles for personal, non-member business (e.g., a take-home squad car for police officers). Since the vehicle is “furnished by the employer,” the PIP coverage of the member vehicle would apply under this circumstance. If there is no coverage on the member vehicle, the employee would look to their own personal policy.
- Another situation in which the no-fault coverage can cover a non-employee is if a member vehicle were to hit a pedestrian. The pedestrian would first look to the coverage of the member vehicle for PIP coverage. If that accident were the member driver’s fault, LMCIT’s auto liability coverage would cover the member’s or the driver’s liability for the injuries to the pedestrian.

RELEVANT LINKS:

[Minn. Stat. § 65B.49 Subd. 3a.](#)

[LMC information memo, LMCIT Workers' Compensation Coverage Guide.](#)

V. Uninsured/underinsured coverage

LMCIT automatically provides uninsured/underinsured (UM/UIM) coverage on all member vehicles, including public safety vehicles that are not required by statute to have UM/UIM coverage. Members are automatically provided with a standard \$200,000 coverage limit for UM/UIM coverage. LMCIT doesn't offer an option to purchase higher limits. It's important to understand that UM/UIM coverage doesn't provide any benefit or risk protection to the member; the benefit is entirely to the individuals who might occupy a member vehicle.

The UM/UIM coverage is designed to help assure that an injured driver will be compensated if they're injured in an accident caused by an uninsured or underinsured driver. The UM/UIM coverage steps in to place of the liability insurance the other driver should have had. In most cases, an injury to an employee driving a member vehicle will be covered by workers' compensation, and the amounts the individual would recover from UM/UIM would be in addition to the medical, indemnity, and other benefits paid under workers' compensation.

VI. Specific coverage situations

A. Operation of employees' or volunteers' vehicles for member business

This section provides an overview of how coverage would apply when employees or volunteers use their own vehicles during member business, the various coverages, and guidelines to use when establishing an auto policy.

Auto coverage is generally designed around the basic idea that the coverage follows the vehicle. Anyone the vehicle owner authorizes to drive the vehicle is automatically insured under the liability insurance policy on the vehicle, and that policy is primary for any liability to third parties arising out of the operation of that vehicle by an authorized person. Similarly, it's up to the vehicle owner to decide what coverage they want to carry for the risk of physical damage to the vehicle.

1. Course and scope of duties

There can be confusion about whether an employee or volunteer is within the course and scope of their duties when driving to or from work. In general terms, if an individual is driving to or from work at the regularly scheduled time and place, they are not within the course and scope of duties. However, if the individual is responding to an unscheduled emergency call, that would be considered within the scope of duty.

RELEVANT LINKS:

Examples of situations that would normally be considered within the scope of duty:

- A volunteer firefighter or Emergency Medical Technician (EMT) driving from home to the fire hall or emergency scene in response to an emergency call.
- An off-duty police officer who is called back to work outside their shift to respond to an emergency.
- A public works employee called from home to respond to a sewer backup.
- A city official or employee driving to the Capitol to meet with a legislator about a city issue.

Examples of situations that are not normally be considered within the scope of duty:

- A volunteer firefighter driving from home to a scheduled drill.
- A police officer driving to police station to begin a scheduled shift.
- The city manager driving from home to city hall for a regular Wednesday night council meeting.
- An employee driving somewhere else on city business, but on the way, stops for a personal errand.

2. Default: auto liability coverage is excess

LMCIT's auto liability coverage is by default excess over the vehicle owner's own coverage. That is, LMCIT coverage will come into play if the liability exceeds the vehicle owner's own coverage limits.

In most cases, employees are reimbursed for mileage for use of their vehicle on member business. The typical mileage reimbursement rate is based on the average cost of operating a vehicle. One of the costs considered is the cost of insurance. Thus, in reimbursing mileage for use of a vehicle, the member is in effect paying a proportionate share of the insurance cost for that vehicle. Since the member has paid a proportionate share of the premium, it seems reasonable for the member to benefit from the coverage it has paid for.

3. Option to make LMCIT auto liability coverage primary

Members have the option to make LMCIT's auto liability coverage primary for privately owned vehicles used on member business by specified individuals or groups in certain circumstances (e.g., firefighters responding to calls). Members need to notify LMCIT so it can add a special endorsement to the member's coverage.

RELEVANT LINKS:

LMC information memo,
[LMCIT Workers' Compensation Coverage Guide](#).

Minn. Stat. § 176.011 Subd. 9.

LMC information memo,
[LMCIT Workers' Compensation Coverage Guide](#), Section I.C.5, *Elected and appointed officials* and Section I.C.7, *City volunteers*.

4. Injury to the employee or volunteer

If an employee is injured while driving their own vehicle during member business, workers' compensation will apply to that injury, just as it would to any other injury that occurs in the course of employment. Statute defines the following emergency volunteers to be employees for purposes of workers' compensation:

- Volunteer firefighters.
- Volunteer ambulance attendants.
- Volunteer first responders.
- Law enforcement assistance volunteers.
- Emergency management volunteers.
- Disaster assistance volunteers.
- Civil defense volunteers.

Elected and appointed officials are also covered parties under LMCIT's workers' compensation coverage, but members do have the option to decline the coverage. Other types of volunteers such as coaches and volunteers helping with a member-sponsored festival are covered under LMCIT's volunteer accident coverage. This coverage provides certain benefits if a volunteer is working under the member's direction and control is injured.

5. Damage to the individual's vehicle

LMCIT does not provide auto physical damage coverage for damage to an employee's or volunteer's own vehicle, regardless of whether the vehicle was being operated in the course and scope of duty.

There are some circumstances in which LMCIT auto liability or liability coverage could come into play for damage to an employee's or volunteer's vehicle. One example would be if the damage was caused by the negligence of an employee operating a city vehicle (e.g., a snowplow operator negligently runs into an employee's car) in which case the member's automobile liability coverage would respond.

LMCIT's municipal liability coverage could come into play if an employee negligently damaged another employee's car in some other way (e.g., a park crew cutting trees drops a tree onto a car that's properly parked).

B. Personal use of member vehicles

Members sometimes allow employees to use member-owned vehicles for personal non-member business (e.g., take-home squad cars or public works employees allowed to take a member vehicle home to respond to emergencies).

RELEVANT LINKS:

See Section VI.A.1, *Course and scope of duties*.

The member's liability coverage on the vehicle will cover the employee or any other authorized operator of a member vehicle for personal use of the vehicle, provided the use is within the scope of what the member has authorized. LMCIT will also cover the member for any liability they incur resulting from personal use of the vehicle, even if that use was outside the scope of what the member authorized.

If a vehicle is used outside the scope of what the member has authorized, the employee and their family members will not be covered by LMCIT's auto coverage. If the member allows personal use of member vehicles by employees or volunteers, it's important to make clear exactly what use is permitted. One way to do this is for the member to develop and adopt a formal policy on personal use. If it's a unique situation involving only one employee, an alternative is to develop a written memo spelling out the arrangements for personal use of the member vehicle. Regardless of the form it takes, LMCIT recommends:

- Only the employee is permitted to operate the vehicle, except in case of an emergency.
- Anyone operating a member vehicle is expected to obey all traffic laws.
- The employee may not operate the vehicle after any consumption of alcohol.
- There may be restrictions on where the vehicle may be taken on personal use (specify whether the vehicle can be taken outside city limits or some other specified geographical region).
- The member reserves the right to revoke the permission for personal use of the auto at any time.
- If the member allows any exceptions to the personal use policy, it should be clear in the policy who has authority to authorize an exception, and a written record should be made of any exception that is authorized.

It may be helpful to always keep a copy of the policy or memo in member-owned vehicles and require affected employees to sign an acknowledgment form stating they have read, understood, and agreed to the policy.

C. Damage to impounded or seized automobiles

Police departments and other city agencies may have private motor vehicles in their possession for a variety of reasons, including the following:

- A vehicle is impounded for a parking violation.
- An abandoned vehicle is towed and impounded.
- A stolen vehicle is recovered.
- A vehicle is seized in connection with a drug or other criminal violation.

RELEVANT LINKS:

See Section III. *Auto physical damage coverage*.

[Minn. Stat. § 169A.63.](#)

LMCIT's liability coverages are designed to automatically cover the member's risks with respect to seized, impounded, or recovered autos. In most cases, members don't have to do anything to have the coverage it needs.

When a vehicle is seized or impounded, or when a stolen vehicle is recovered, it creates a situation where a vehicle owned by someone else is in the member's "care, custody, and control." Unlike many private insurance policies, LMCIT's liability coverage does not have a "care, custody, and control" exclusion.

That doesn't mean, though, LMCIT would automatically pay for damage to such vehicles. To recover, the owner would have to show the damage was the result of the member's negligence. For example, the member might be legally liable for a dented door if the member backed another car into the impounded vehicle while moving it, or if the member negligently failed to take reasonable steps to protect the vehicle from vandalism. However, the member probably isn't legally liable if the vehicle is dented by a hailstorm while the vehicle is in the impound lot.

A seized, impounded, or recovered vehicle is not automatically covered by the member's auto physical damage coverage. Members can schedule these vehicles for auto physical damage coverage for an additional premium charge. That would cover vehicles for most types of damage that might occur in the same way the member's own vehicles are covered, irrespective of whether the member was at fault or legally liable.

D. Damage to forfeited automobiles

In some cases, vehicles can be forfeited and become the member's property. Statutes authorize law enforcement agencies to seize vehicles that were used in connection with a variety of crimes, and they also set out the administrative and judicial procedures for forfeiture of vehicles. When a vehicle is forfeited, the vehicle becomes the member's property, and the title is transferred to the member. When a forfeited vehicle legally becomes the member's property, it automatically becomes covered under the member's auto physical damage coverage as well.

The vehicle does not need to be reported to LMCIT or scheduled, and no additional premium is charged to add physical damage coverage for that vehicle. However, at the member's next coverage renewal (assuming the member still owns the vehicle), the vehicle needs to be scheduled, which is used to calculate the member's premium for the succeeding year.

E. Rented or leased automobiles

LMCIT's auto coverage applies when a member rents or leases a vehicle for member business, regardless of whether it is rented in Minnesota or in another state. Depending on the situation LMCIT coverage may be excess over any other valid and collectible coverage.

1. Auto liability

LMCIT coverage applies for claims arising out of the use of a rented or leased auto used for member business, and employees are covered parties while such an auto is used during member business or with the member's permission. Generally, the member's auto liability coverage will apply on an excess basis (excess over any other valid and collectible coverage) for autos not owned by the member. However, if the rental or lease agreement specifies the member's auto liability coverage is primary, the member's auto liability coverage will be primary.

2. Auto physical damage

LMCIT coverage applies on a primary basis for any of the following situations:

- Autos the member rents or leases for a period of more than 30 days.
- Autos the member rents or leases from a person or organization that is not in the business of renting or leasing autos, regardless of the period.
- Autos the member or employee rents for less than 30 days, that will be used for member business, from a person or organization in the business of renting autos if the rental agreement requires the member or the individual renting the auto to pay for loss or damage to the auto.

VII. Annual reporting information

Premiums for auto liability and auto physical damage coverage are based on the schedule of vehicles reported in the renewal application at the beginning of the coverage period.

Because of this, members and/or agents need to maintain an inventory of vehicles, so premiums are accurately calculated at renewal. In addition to the listing of vehicles provided, members also need to specify their preference in the following situations:

- Any vehicles for which the member doesn't want coverage for auto physical damage.
- Any vehicles for which the member wants coverage for enhanced auto physical damage coverage rather than ACV.

RELEVANT LINKS:

[Minn. Stat. § 65B.42.](#)

[Minn. Stat. § 169.791.](#)

[Minn. Stat. § 168.012 Subd. 1 \(b\).](#)

Contact your agent or LMCIT underwriter to obtain the LMCIT auto identification card template, which can be put in all member-owned vehicles as proof of insurance.
651.281.1200
800.925.1122.

[LMCIT claim forms, information sheets, and other resources.](#)

[Submit a Claim Online.](#)

Email: claims@lmc.org.

Fax: 651.281.1297 or
888.234.7839.

Mail: 145 University Ave W,
St. Paul MN 55103-2044.

Phone: 651.281.1200 or
800.925.1122.

- Any antique vehicle for which the member wants coverage for physical damage, so it can be covered on an “agreed amount” basis.

New vehicles members acquire during the coverage year are automatically covered. There is no need to report or schedule new vehicles mid-term. Newly acquired vehicles, however, do need to be reported at the member’s next renewal, assuming the member still has the vehicle. Similarly, if the member gets rid of a vehicle during the year, there is no return premium due for deleting that vehicle.

VIII. Proof of insurance

With a few limited exceptions, Minnesota statute requires all member-owned vehicles be registered with the Department of Vehicle Services and carry in the vehicle proof of insurance and a copy of the vehicle’s registration card. Emergency vehicles, such as marked police squads, fire trucks, and ambulances are exempt from the insurance requirements and are also not required to display a license plate or be registered.

LMCIT recommends that proof of insurance and a copy of the registration card, if required for that vehicle, be kept in the same location for each vehicle. At this time, LMCIT is unable to provide proof of insurance electronically, but it can provide an auto identification card template, in which members can insert their auto agreement (policy) number and effective dates. Members can also enter the make, model, year, and vehicle identification number for each vehicle on the template, but this is unnecessary since LMCIT covers all member-owned vehicles on a blanket basis.

IX. Filing an auto claim

Claims can be submitted to LMCIT using any of the following formats:

- Online
- Email
- Fax
- Mail
- Phone