

To: **Mayor and City Council**
 Through: **Ryan Schroeder, City Manager**
 From: **Char Stark, Finance Director**
 Date: **January 4, 2021**

Insurance Renewal

BACKGROUND INFORMATION:

No-Fault Sewer Backup

The League of Minnesota Cities began offering optional No-Fault Sewer Backup (NFSB) coverage in 2001. The City has purchased it every year since 2003. This insurance reimburses property owners up to \$10,000 for clean-up costs and damages caused by a sewer backup, irrespective of whether the city was liable for those damages.

The NFSB program generates approximately \$156,000 in annual revenue from the cities that participate. In 2014, the league paid out approximately \$500,000 for over 50 claims that resulted mainly from the heavy rainstorms in June and July (\$125,451 was paid to West St Paul residents). These losses were funded from the League’s reserves. To prevent future losses of this magnitude, the League has made changes to the NFSB program, which narrows the coverage by excluding natural disasters and situations of exceptionally heavy rainfall.

The City must qualify each year for NFSB insurance and I received word earlier this year that the City does qualify again. The City is also required to adopt a resolution establishing the No-Fault Sewer Backup coverage, if it elects to purchase the policy. The attached resolution outlines the new NFSB policy guidelines.

FISCAL IMPACT:

		Amount
Fund:	602	\$5,000
Department:	49450	
Account:	40361	

STAFF RECOMMENDATION:

Staff believe that, even with the narrowed scope, No-Fault Sewer Backup Insurance is an important benefit to the residents and recommends approval of this resolution.

ATTACHMENT:

Resolution to approve purchase of No-Fault Sewer Backup Insurance.