

Management Committee

Meeting date: July 25, 2018

For the Metropolitan Council meeting of July 25, 2018

Subject: Council Property Insurance Contract
District(s), Member(s): All
Policy/Legal Reference:
Staff Prepared/Presented: Phil Walljasper, 651-602-1787; Dave Larrabee, 651-602-1773
Division/Department: Regional Administration/Risk Management

Proposed Action

That the Metropolitan Council authorizes to bind coverage of its property insurance with XL Catlin, effective 8/1/18-8/1/19, in an amount not to exceed \$2,100,000.

Background

The Metropolitan Council has had its main property insurance program with FM Global since 2002. Each year, with the assistance of our insurance broker, this program was benchmarked against other companies to ensure a competitive combination of coverage and pricing. Additionally, a full marketing effort would occur every few years (the last being in 2016). While the FM Global policy provides coverage for most of the Council’s property, it did not provide coverage for the Council’s trains while in revenue operations. That coverage was provided by a separate “rolling stock” policy.

Recently, staff determined a full marketing effort was warranted for two reasons. First, early indications from FM Global indicated a significant rate increase due to losses sustained by the industry over the past year. Second, with the Council’s growing rail program, options to find an insurance company that could combine the rolling stock and overall property was needed.

Working with its broker, staff presented the Council program to several interested insurance underwriters and have received very competitive quotes. After negotiations, XL Catlin’s quote was most advantageous to the Council, as it not only provided the necessary coverage for property losses, including rail rolling stock, it also had a rate that was over 15% less than FM Global’s. Additionally, XL Catlin provided an option of a 3-year rate guarantee. This equates to a long-term savings to the Council of approximately \$275,000 annually.

In additional to coverage and price, XL Catlin offered the on-site engineering that is critical to ensuring the Council’s continued operations. This will continue the ongoing partnership and efforts towards loss prevention between Council staff and the insurance company’s field engineers.

Rationale

Given the coverage, rate, and insurance limits, XL Catlin offers a very competitive property insurance program and staff recommends binding coverage with them in an amount not to exceed \$2,100,000.

Thrive Lens Analysis

Authorization of binding property insurance with XL Catlin supports the Thrive principles of Stewardship and Livability, by not only securing the insurance in the most cost effective manner, but also partnering with our insurance carrier to minimize a loss of our operations due to physical damage.



Funding

The premiums are allocated to the operating divisions, based upon the amount of respective values. This premium amount is budgeted as a part of the applicable operating budget within each division.

Known Support / Opposition

Not applicable