

Management Committee

For the Metropolitan Council meeting of July 22, 2020

Subject: Council Property Insurance Contract Renewal

Proposed Action

That the Metropolitan Council authorizes to bind coverage of its property insurance with AXA XL effective 8/1/20-8/1/21, in an amount not to exceed \$3,070,000.

Summary of Committee Discussion/Questions

Staff presented an overview of the coverage provided by the insurance policy, including the key aspects related to the Metropolitan Council. Staff reviewed the rate provided by AXA XL and how this renewal represents the third and final year for a rate guarantee, which was originally negotiated in 2018. This rate may need to be re-negotiated, however, at some point over the next policy period, depending on the outcome of pending claims. The \$3,070,000 reflects this possibility.

The Committee asked questions about the rate guarantee and premium projections for next year, given the current insurance market, which staff addressed accordingly.

A motion to approve was made by Council Member Johnson, which was seconded by Council Member Barber. Motion carried.

Management Committee

Meeting date: July 8, 2020

For the Metropolitan Council meeting of July 22, 2020

Subject: Council Property Insurance Contract Renewal

District(s), Member(s): All

Policy/Legal Reference:

Staff Prepared/Presented: Phil Walljasper, 651-602-1787

Division/Department: Regional Administration/Risk Management

Proposed Action

That the Metropolitan Council authorizes to bind coverage of its property insurance with AXA XL effective 8/1/20-8/1/21, in an amount not to exceed \$3,070,000.

Background

The Metropolitan Council's Property Insurance provides coverage for physical damage to Council property (e.g. buildings, equipment, vehicles, trains), as well as expenses incurred while continuing operations after a physical loss.

In 2018, Council staff, working with its insurance broker, fully marketed the Council's Property insurance, which also included Rail rolling stock. That process resulted in moving the insurance to AXA XL, who not only provided a very competitive quote, but also the necessary coverage and limits to appropriately protect the Council's property. Additionally, the quote included a 3-year rate guarantee, subject to certain loss provisions.

The Council has sustained losses this year that may trigger the subjectivity required for the rate guarantee. Given that, this business item contemplates a premium that would be subject to the rates of the current insurance market and not the rate guarantee. This year has proven to be very challenging for property insurance, with significant rate increases across many sectors, along with a reduction in available limits.

Council staff continues to quantify the damages related to claims and to negotiate with AXA XL potential impacts on the rate and premium.

Rationale

Based on the above, it is recommended the Metropolitan Council approves renewing its property insurance with AXA XL in an amount not to exceed \$3,070,000.

Thrive Lens Analysis

Authorization of binding property insurance with AXA XL 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.

The Office of Equal Opportunity reviewed the scope of work with the Council's insurance broker placing the insurance, with no MCUB goal and no potential vendors identified.

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