

Management Committee

For the Metropolitan Council meeting of July 28, 2021

Subject: Council Property Insurance Contract Renewal

Proposed Action

That the Metropolitan Council authorizes to bind coverage of its property insurance effective 8/1/21-8/1/22, in an amount not to exceed \$3,650,000.

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 process for marketing the program to several different insurance companies, seeking the appropriate coverage at the lowest rate. Staff also discussed the difficult insurance market, with continued rising rates and coverage restrictions.

The Committee asked questions about future risk financing alternatives utilizing a captive, which staff addressed accordingly, indicating this is being worked on and should be an option in the future.

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

Management Committee

Meeting date: July 14, 2021

For the Metropolitan Council meeting of July 28, 2021

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 effective 8/1/21-8/1/22, in an amount not to exceed \$3,650,000.

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.

For the past three years, the Council's property insurance has been with AXA XL with a flat rate guarantee. While the Council had no change in its rate during this time, the overall insurance market has hardened and become more challenging for buyers. Given this, the Council fully marketed the program. As expected, indications from the market are showing a significant rate increase. Negotiations are ongoing to ensure the appropriate coverage at the most affordable price.

Rationale

This business item reflects an early pricing indication from insurance companies that would be able to provide the appropriate coverage. The Council continues discussions with the market and will report on the full insurance program structure at the Management Committee meeting.

Thrive Lens Analysis

Authorization of binding property insurance following a full marketing effort 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