

M Management Committee

Meeting Date: December 12, 2007

Council Meeting Date: December 12, 2007

ADVISORY INFORMATION

Date:	11/21/07
Subject:	Authorization to renew the Council's Commercial Property Insurance for 1/1/08 through 12/31/08
District(s), Member(s):	All
Policy/Legal Reference:	
Staff Prepared/Presented:	Phil Walljasper, 651-602-1787
Division/Department:	Risk Management

Proposed Action/Motion

That the Metropolitan Council authorize renewal of the Property Insurance with the current carrier, FM Global, effective 1/1/07-12/31/07, in an amount not to exceed \$1,120,000.

Overview and Funding

The Metropolitan Council's Property Insurance provides coverage for physical damage to Council business property (i.e. buildings, equipment, vehicles, etc), as well as expenses incurred while continuing operations after a physical loss. This insurance has been provided by FM Global and offers very broad coverage at a competitive rate. The Council works very closely with FM's engineers in developing loss prevention strategies to minimize the risk of loss and business interruption.

When evaluating the insurance for 2008, staff worked closely with the Council's broker in evaluating the insurance marketplace to ensure that the rates and coverage continued to be competitive. This analysis showed that we continue to have one of the lowest rates when compared to other similar entities, represented by seven different insurance companies. In addition to our favorable rate, our loss limit of \$1,000,000,000 continues to be one of the highest limits available. Lastly, this analysis also confirmed that the Council has a very reasonable deductible given the unique exposures to loss.

FM has proposed a rate reduction of 5-10% for their 2008 renewal, while the Council's property value has increased by 4.22%. To illustrate how the premium, rate, and property values inter-relate, the premium an organization pays is calculated by multiplying the rate by \$100 of property value. Negotiations on our premium are continuing with FM at the time of this mailing, but a more definitive number for the 2008 renewal will be presented to the Committee next week. In addition to the rate reduction offered, FM is also offering a membership credit of approximately \$115,000.

With our broad coverage, the ongoing partnership we have and commitment to loss prevention, as well the competitive rate when compared to the industry, it is recommended that we renew our property insurance with FM Global for 2008 in an amount not to exceed \$1,120,000.