

M Management Committee

Meeting date: February 24, 2010

ADVISORY INFORMATION

Date: 2/17/09
Subject: Authorization to renew the Metropolitan Council's insurance for physical damage to trains with Lexington Insurance.
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 renewing its insurance policy that provides coverage for physical damage to light rail and commuter rail trains in an amount not to exceed \$272,405.

Background

This insurance provides coverage for physical damage to both Light Rail and Commuter Rail trains (LRVs, Locomotives, Coach and Cab Cars) while they are on the main line, often times referred to "rolling stock". It provides a per occurrence limit of \$10,000,000 and has a deductible of \$100,000. This is an annual policy that has been competitively bid, through the Council's insurance broker, every year since the inception of Hiawatha LRT. Lexington has been the insurance carrier since that time, as it has consistently provided the best coverage at the lowest premium.

The premium for a property policy such as this is derived by multiplying a "rate" by \$100 of insured value (Rate * \$100/property value = premium). The rate is what is negotiated at each renewal and varies depending on the loss history, coverage provided by the policy, and insurance market conditions. Working through the Council's broker, the proposal from Lexington represents a 3.9% reduction in the rate from last year. However, with the addition of the Northstar values, the overall premium has increased. With this increase in values and premium, Council approval is now required.

Rationale

There are relatively few insurance companies that are willing to provide coverage for trains as rolling stock. Working through the Council's insurance broker, bids were solicited from four different companies for this year's renewal (Lexington, Travelers, Chubb, and AXIS). Lexington provided the broadest coverage at the best rate. Chubb did not provide a quote, given the type of risk, while Travelers' rate was not competitive and AXIS' did not provide the same level of coverage.

Funding

The funding for this insurance is a part of Hiawatha's and Northstar's budget, with the premium being allocated based on the respective property values.

Known Support / Opposition

Not applicable