

M Management Committee
For the Metropolitan Council meeting of May 26, 2010

ADVISORY INFORMATION

Date Prepared: May 3, 2010

Subject: Authorization to negotiate and execute a contract for Insurance Broker services

Proposed Action:

That the Metropolitan Council authorizes the Regional Administrator to negotiate and execute a three year contract for insurance broker services with Marsh, in an amount not to exceed \$325,000.

Summary of Committee Discussion / Questions:

Staff presented the reasons the Metropolitan Council is seeking insurance broker services and outlined that most of the work would entail marketing and placing several insurance policies. However, additional work may also include risk management consulting (e.g. claim audits, specific hazard analysis, contract review, etc.) on a limited, as-needed basis.

A formal solicitation was conducted and three proposals were received. Based upon its review of the proposals, the evaluation panel felt that Marsh was the most advantageous proposer for the Metropolitan Council.

Discussions at the Management Committee dealt with the reasons the Metropolitan Council must utilize a broker for insurance, as opposed to going directly to the insurance company. Staff explained that most property and casualty insurance companies only work through a broker and would not respond to any other solicitation. To ensure that the insurance coverage and premium is competitive, staff provided an overview of the requirements in its contract with an insurance broker. While the Council would not be able to market directly with most insurance companies, it requires its insurance broker to competitively seek quotes, with full disclosure to the Council of all information exchanged. The Council has the ultimate approval of any insurance placed.

After discussion, it was moved and seconded that the proposed action be approved. Motion carried.

M Management Committee

Business Item

Item: 2010-161

Meeting date: April 28, 2010

ADVISORY INFORMATION

Date:	4/20/10
Subject:	Authorization to negotiate and execute a contract for Insurance Broker services
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 the Regional Administrator to negotiate and execute a three year contract for insurance broker services with Marsh, in an amount not to exceed \$325,000.

Background

The Council utilizes an insurance broker primarily for two main services: insurance procurement and risk management consulting. With insurance procurement, a broker works closely with the Council in marketing, placing, and maintaining insurance policies, helping ensure the Council has the appropriate insurance coverage at the lowest premium. This is a critical function, as most insurance companies only work through a broker. The Council has over a half dozen insurance policies, with Northstar's railroad liability being the largest.

In addition to the insurance procurement, a broker can also offer specialized expertise in its risk consulting. Examples of this service include enterprise risk management, analysis of environmental exposures, contract review, and audits of the Council's self-administered claims. While risk consulting has historically been a relatively small percentage of the overall services required by the Council, having the technical resources available is extremely beneficial, given the Council's various projects that often times result in unique risks.

Rationale

Staff recently conducted a formal Request For Proposal (RFP) for an insurance broker. The required services in the RFP were broken down into the two main functions listed above, insurance procurement and risk consulting. The proposers were asked to provide their qualifications, experience, and ability to meet the Council requirements, with particular focus on the railroad liability, given its relative complexity. In terms of the pricing structure, the brokers were asked to quote a fee for each line of insurance for insurance procurement, as opposed to a commission, and list the hourly rates for the various types of risk consulting services.

The evaluation panel, comprised of Risk Management, Transit Finance, and Environmental Services Administration, reviewed a total of three proposals. Based on the evaluation of the criteria listed above, the panel agreed that Marsh was most advantageous to the Council and offered the best value. Based on this, the panel recommends that the Metropolitan Council authorize the Regional Administrator to negotiate and execute a three year contract (June 1, 2010 through May 31, 2013) with Marsh in an amount not to exceed \$325,000.

Funding

The expense for insurance broker services is a part of each division's operating budget.

Known Support / Opposition

Not applicable