

# M Management Committee

**Business Item**

Item: 2010-150

Meeting date: April 14, 2010

ADVISORY INFORMATION	
<b>Date:</b>	4/8/10
<b>Subject:</b>	Authorization to renew the Metropolitan Council's Property Insurance with FM Global
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	
<b>Staff Prepared/Presented:</b>	Phil Walljasper, 651-602-1787
<b>Division/Department:</b>	Regional Administration/Risk Management

## Proposed Action

That the Metropolitan Council authorize renewal of the Property Insurance with the current carrier, FM Global, for the period 5/1/10-5/1/11, in an amount not to exceed \$1,199,170.

## Background

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 for several years 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.

The premium paid on a property insurance policy is calculated by multiplying \$100 of property value by the "rate". This rate, along with the type of loss a policy covers, is what is typically negotiated at renewal. FM's proposal for 2010 represents no change in the 2009 rate, which is largely driven by market conditions, FM's underwriting philosophy, and the current insurance program of the Council. Since 2003, however, the Council's rate with FM has decreased by 20%.

Although the rate has not changed, the Council's total values increased from last year by approximately 6%. Given the premium calculation described above, the premium has also increased accordingly.

To ensure that the FM proposal is competitive, staff worked closely with its insurance brokers in comparing the Council and its program with other similar entities (e.g. water facilities and transportation). This also included a comparison with other industries in the Midwest, as different regions have a significant impact on an insurance company's pricing. Factors that were looked at in this analysis included the limits of coverage, deductible levels, and rates. This comparison showed that the Council has one of the lowest rates, not only when compared to the Midwest average, but also other similar entities in all regions. In addition to the low rate, FM provides one of the highest limits of coverage with a very reasonable deductible.

## Rationale

FM's proposal provides the broadest coverage, with a reasonable deductible, at a very competitive rate. In addition to the insurance, their engineering continues to be a key part of the Council's overall property risk management initiatives, helping ensure a continuation of operations in the event of a loss. Given this, it is recommended the Council approve renewing its property insurance with FM in an amount not to exceed \$1,199,170.

**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