



Request for City Council Committee Action from the Department of Finance

Date: November 5, 2012

To: Ways & Means Committee
Referral to: None

Subject: Annual Property Insurance Premium for the Mpls. Convention Center (MCC), Tallmadge Building, and Parking Ramp

Recommendation: To authorize the City's Finance Officer to review options for property insurance for the Convention Center (including the Tallmadge Bldg. and the Parking Ramp) for 1-1-2013 coverage. Accept the XL Insurance quote of \$257,775. plus taxes and surcharges and lock in the binder for the 2013 property coverage. Accept the quote for additional terrorism coverage.

Previous Directives: None

Department Information

Prepared by:

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Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims/Finance, 673-3994

Approved by:

Jeff Johnson, Executive Director of the MCC _____
Kevin Carpenter, Chief Financial Officer _____
Paul Aasen, City Coordinator _____

Presenters in Committee:

Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims
Jeff Johnson, Exec. Director of the Mpls. Convention Center
Chris Larson, Director of Facility Services, Mpls. Convention Center
Marty Mauser, Marsh USA, Inc.

Reviews

- Permanent Review Committee (PRC): Approval pending Date 11-8-2012

Financial Impact

- No financial impact

Community Impact

- No Community impact

Supporting Information

Current Conditions: Even prior to Hurricane Sandy, rates were up driven by record natural catastrophes ('nat-cat') losses in 2011. For clients without 'nat-cat' exposures and

no losses, the first six months saw increases of 5% to 10%, however since July 1st, increases have moderated and our fourth quarter rate guidance is at +3.1%.

Previous Renewal: Last year, ten markets were approached and the most comprehensive quote was from our incumbent, XL Insurance who:

- o agreed to all eight requested enhancements (only market to do this)
- o was priced within \$1,161 (0.5%) of the lowest viable option and, most importantly,
- o included a two year rate agreement (again, only market to do this).

Of the eight coverage enhancements secured last year, the most valuable were:

- o Per Occurrence Loss Limit +25% (from \$400 to \$500 million)
- o Terrorism limit +100% (from \$250 to \$500 million)
- o Extended Period of Indemnity +500% (from 60 to 365 days)
- o Extra Expense +100 % (from \$5 to \$10 million).

Expiring cost is **\$256,161** which was a \$10,357 (-4.4%) reduction, despite +1.4% in insured values.

2013-14 Renewal: With the two year rate agreement, 2013 cost will be **\$257,775**, up \$1,414 (+0.6%) solely due to an increase in values (from \$499,882,943 to \$502,704,011).

Summary: The 'automatic renewal' agreement allows the Convention Center to renew at last year's competitive (and market tested) rates at a time when prices continue to rise and there is growing uncertainty around Hurricane Sandy. This is the second time we have benefited significantly from a 'rate guaranty' with XL. In 2008, we averted the rate increases in the aftermath of the 2008 financial crisis. Marsh estimates the savings were at least 5% (or \$14,000). XL is reviewing whether they can again offer a rate guaranty at this renewal, and will advise.

The 'automatic renewal' does contain conditions that could void it; however, we've secured XL's agreement they will remove those conditions on December 1st -- allowing us to bind the favorable renewal 30 days in advance.

Our broker, Marsh feels this is a very favorable renewal in a changing market, and we concur.