



Request for City Council Committee Action from the Department of Public Works

Date: April 16, 2013

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Referral to: Honorable Betsy Hodges, Chair Ways & Means Committee

Subject: **Property Insurance Premium for the Public Works Water Treatment & Distribution Services**

Recommendation:

Authorize proper city officials to acquire property insurance for the City's water treatment facilities from XL Insurance Company for coverage effective May 1st, 2013 until December 31, 2014, at a total cost of \$565,013. No additional appropriation is required.

Previous Directives: None

Department Information

Prepared by:
Bernie Bullert, Director of Water Treatment & Distribution/PW, 673-2418
Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims/F&PS, 673-3994

Approved by:

Steven Kotke, Director of Public Works City Engineer _____

Kevin Carpenter, Chief Financial Officer _____

Paul Aasen, City Coordinator _____

Presenters in Committee:
Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims/Finance & Property Services
Bernie Bullert, Director of Water Treatment & Distribution/Public Works
Marty Mauser, Marsh USA, Inc.

Reviews

- Permanent Review Committee (PRC): Approval ___ Date ___ 3-21-2013_____

Financial Impact

- Premium at \$565,013. FEMA reimbursement at \$760,057.44

Community Impact

- No Community impact

Supporting Information

Background

When the 2011 tornado damaged the Fridley Water Treatment facility the City of Minneapolis sought reimbursement from FEMA. FEMA will reimburse the city only if there is an insurance policy in place to cover future catastrophes. Public Works asked Risk Management to develop exposure information and coverage specifications for a property insurance program for the Fridley and Columbia Heights sites. The result is a broad program with 'all risk' property insurance costs below the initial estimate of 6 cents per \$100 (5.95) plus \$20,000 for terrorism and \$16,888 for an engineering fee charged by the insurer. We recommend binding this competitive and comprehensive program with XL Insurance Company. Acquiring this insurance coverage at \$565,013 will satisfy FEMA's requirement for reimbursement to the City for damages sustained in the 2011 tornado at an estimated \$760,057.

Submission and Value Development

Our Broker, Marsh, the XL Underwriter, and Engineers interviewed several Public Works – Water Treatment and Distribution Services (PW-WTDS) staff and toured the facilities to prepare a submission for an asset that was not previously insured. Replacement cost values for the physical assets and annual Business Interruption values reported are \$501 million. We prepared a broad coverage specification to address the WTDS needs.

PW-WTDS & Risk Management instructed Marsh USA, Inc. to approach XL Insurance for the quotation. As the insurer for the Minneapolis Convention Center we asked XL Insurance to match the rate they gave to the Convention Center. Competitive quotes from other insurers will be considered in future submissions.

Summary

The quote from XL insurance company includes a \$500 million loss limit and \$100 million of flood insurance at Fridley and Columbia Heights. Flood insurance is essential because parts of the Fridley plant are in the 500-year flood zone. This factor limits regular insurance to \$10 million for the buildings in the flood zone. This quote has met and exceeded our specifications.