



Request for City Council Committee Action from the Department of Finance & Property Services

Date: October 22, 2013

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 1-1-2014 coverage. Accept the XL Insurance quote of \$265,169. plus taxes and surcharges and lock in the binder for the 2014 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 ___11-7-2013___

Financial Impact

- No financial impact

Community Impact

- No Community impact

Supporting Information

Renewal Strategy Meeting:

While markets continue to seek rate increases (52% of all Marsh clients saw increases in Q2 2013), the magnitude remains in the low single digits due to increased capacity and the

absence of major losses. With respect to our current pricing, Marsh's 'peer group' benchmarking again shows the MCC's 'average' rate (5.1 cents per \$100) is extremely competitive.

We revisited the 2012 competition where XL was clearly superior to all competitors in both coverage and price. In total we secured eight coverage enhancements including critical improvements in Terrorism (from \$250 to \$500 million) and the overall 'Loss Limit' (from \$400 to \$500 million).

With coverage recently substantially broadened, it was agreed our renewal strategy would be to seek 'terms as expiring' from XL and ask for an early commitment for a 'flat rate' renewal.

Value Update: Chris Larson updated the physical damage and business interruption values, which lead to a 3.0% growth in the exposure base, and Marsh approached XL for an early response.

XL Renewal Quote: XL has committed to a 'flat' rate renewal for 2014-5, allowing the Convention Center to hold rates at their lowest point since 2002. The combination of increased values (+3.0%) and lowered 'average rate' (-0.1%) resulted in a +2.9% premium increase over 2013-4 (+\$7,594). The quote includes all of the enhancements won in 2012.

In summary, the XL proposal includes the lowest rates and the highest coverage for the MCC in the past 13 years.

Recommendation: Our broker, Marsh recommends binding the renewal with XL as quoted, the Convention Center and Risk Management agree.