



**Request for City Council Committee Action  
From the Department of Community Planning & Economic Development**

**Date:** November 9, 2004

**To:** Council Member Lisa Goodman, Community Development Cmte  
Council Member Barbara Johnson, Ways & Means/Budget Cmte

**Prepared by:** Tom Daniel, Project Coordinator, Phone 612-673-5079

**Presenter in Committee:** Tom Daniel, Project Coordinator

**Approved by:** Lee Sheehy, CPED Director 

**Subject:** Renewal of insurance coverage for State, Orpheum, Pantages, and Hennepin Stages Theatres, and Orpheum Skyway.

**RECOMMENDATION:** Approve purchasing insurance from St. Paul Travelers Insurance Company to provide property and business interruption insurance for the State, Orpheum, Pantages, and Hennepin Stages Theatres, and property insurance for the Orpheum Skyway and Stimson Building for a one-year period commencing November 30, 2004, and ending November 30, 2005, subject to the proposed conditions outlined in the attached policy.

**Previous Directives:**

On November 24, 1993, the MCDA Board of Commissioners approved a one-year contract with Travelers Insurance Company to provide property and business interruption insurance for the Orpheum Theatre as required by the Orpheum Restoration Bonds.

On November 14, 1994, the Board approved a three-year contract with Travelers Insurance Company to provide property and business interruption insurance for the Orpheum Theatre as required by the Orpheum Restoration Bonds.

On December 19, 1994, the Board approved a contract with Travelers Insurance Company to provide property and business interruption insurance for the State Theatre as required by MCDA's agreements with LaSalle Plaza.

On November 21, 1997, the MCDA Board approved the renewal of the property and business interruption policy for the Orpheum Theatre with the Travelers Insurance Company for a three-year period beginning November 15, 1997.

On December 15, 1997, the Board approved the renewal of the property and business interruption insurance policy for the State Theatre with the Travelers Insurance Company for a three-year period beginning January 1, 1998.

On October 30, 2000, the Board approved the renewal of the property and business interruption insurance policy for the State and Orpheum Theatres with the Travelers Insurance Company for a one-year period beginning November 15, 2000.

On November 9, 2001, the Board approved the renewal of the property and business interruption insurance policy for the State, Orpheum and Orpheum Skyway with the Travelers Insurance Company for a one-year period beginning November 30, 2001.

On December 16, 2002, the Board approved the renewal of the property and business interruption insurance policy for the State, Orpheum, Pantages (pro-rata) and Orpheum Skyway with the Travelers Insurance Company for a one-year period beginning November 30, 2002.

On November 21, 2003, the Board approved the renewal of the property and business interruption insurance policy for the State, Orpheum, Pantages, and Orpheum Skyway with the Travelers Insurance Company for a one-year period beginning November 30, 2003.

**Financial Impact** (Check those that apply)

- No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee

Coordinator

**Community Impact** (Summarize below)

**Ward:** Wards 5 and 7

**Neighborhood Notification:** N/A

**City Goals:** Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the city's physical and human assets. Preserve and enhance our natural and historic environment and promote a clean, sustainable Minneapolis.

**Comprehensive Plan:** N/A

**Zoning Code:** N/A

**Living Wage/Job Linkage:** N/A

### **Background/Supporting Information**

The City of Minneapolis must provide property and business interruption insurance for the State, Orpheum, and Pantages Theatres because of bond requirements in the Orpheum restoration bonds and the Stimson renovation bonds. The policy renewal date is November 30, 2004. The City of Minneapolis, through the Department of Community Planning and Economic Development (CPED), also insures the Hennepin Stages Theatre for property and business interruption, and the Orpheum Skyway, and Stimson Building for property.

CPED has retained Berkeley Risk Services to prepare insurance specifications and solicit bids from qualified companies. In 2003, Berkeley Risk Services solicited requests from insurance companies and received a price quote from the Travelers Insurance Company (Travelers) and Liberty Mutual/Wausau Insurance Group (Wausau) insurance company. This year, the Travelers (now St. Paul Travelers) is offering a ten percent premium reduction; Wausau indicated its quote would not be any lower than last year's. Other companies were found not to be competitive in terms of the type of coverage they offered.

Even though Wausau's quote was \$4,728 less than the Travelers in 2003, the staff recommendation was to go with the Travelers because:

- The Travelers "Fine Arts" policy extension is based on replacement value at time of loss, whereas the Wausau policy is actual cash value at time of loss (i.e., includes depreciation).
- The properties themselves were not reviewed on-site by Wausau representatives, as they had been by Travelers representatives.
- There is a risk that Wausau would require mandatory recommendations to the properties that would exceed the \$4,728 in extra premium cost for Travelers.

These facts have not changed since last year, and now the Travelers policy is \$8,065 less than Wausau's 2003 quote for the State, Orpheum, and Pantages Theatres and the Orpheum Skyway. The total premium from Travelers of \$113,459 covers the State, Orpheum, Pantages, and Hennepin Stages Theatres for property and business interruption and the Orpheum Skyway and Stimson Building for property. In addition to the premium is a additional Minneapolis surcharge of one percent (\$1,134.59). The general policy considerations are listed on the attached property summary as Exhibit A.

The insurance premium for the State, Orpheum, and Pantages Theatres and Orpheum Skyway is part of the annual appropriation from Fund STH, theatre operations, which is funded primarily from net theatre revenues and eligible ticket surcharge revenues. The premiums for Hennepin Stages and the Stimson Building and are paid from separate project funds and are invoiced separately.

# Travelers Insurance Company

## PROPERTY POLICY

**Policy Term:** November 30, 2004-November 30, 2005

**Currently Scheduled Locations:**

State Theatre: 805 Hennepin Avenue, Minneapolis, MN  
 Orpheum Theatre: 910 Hennepin Avenue, Minneapolis, MN  
 Orpheum Skyway: 910 Hennepin Avenue, Minneapolis, MN  
 Pantages Theatre: 710 Hennepin Avenue, Minneapolis, MN  
 Stimson Building: 700 Hennepin Avenue, Minneapolis, MN  
 Hey City (Hennepin Stages): 824 Hennepin Avenue, Minneapolis, MN

**Limits: Blanket Building and Personal Property @ Location Limits**

Building/Personal Property	November 30, 2002	November 30, 2003	November 30, 2004
State Theatre	\$19,224,400	\$19,224,400	\$19,224,400
Orpheum Theatre	23,369,700	23,369,700	23,369,700
Orpheum Skyway*	360,450	360,450	360,450
Pantages Theatre**	8,095,000	8,095,000	8,095,000
Stimson Building****		6,500,000	6,500,000
Hennepin Stages*****			2,060,000
<b>Total</b>	<b>51,049,550</b>	<b>57,549,550</b>	<b>59,609,550</b>
<b>Business Interruption</b>			
State Theatre	\$1,300,000	\$1,565,100	\$1,300,849
Orpheum Theatre	1,200,000	1,760,765	1,540,479
Pantages Theatre***	0	586,922	445,027
Stimson Building			Not Covered
Hennepin Stages*****			136,932
<b>Total</b>	<b>\$2,500,000</b>	<b>\$2,504,197</b>	<b>3,423,287</b>
<b>Total Insured Value</b>	<b>\$45,454,550</b>	<b>\$60,053,747</b>	<b>\$63,032,837</b>

- \* Orpheum Skyway-Building Only
- \*\* Pantages Theatre added August 12, 2003
- \*\*\* Business Interruption for the Pantages added November 30, 2003
- \*\*\*\* Stimson Building added March 1, 2004
- \*\*\*\*\* Hennepin Stages Building added July 1, 2004
- \*\*\*\*\* Hennepin Stages Business Interruption added November 30, 2004

**Causes of Loss:** Risks of Direct Physical Loss to Covered Property  
 Subject to Policy Exclusions

**Valuation:** Replacement Cost

**Coinurance:** None Applies, thus Agreed Value

**Deductible:** \$25,000 Any One Loss other than those shown below  
\$100,000 Earthquake  
\$100,000 Flood  
24 Hours Off Premises Power

<b>Sub-limits:</b>	<b>Occurrence/Aggregate</b>
Flood	\$10,000,000
Earth Movement	\$10,000,000
Off Premises Power Failure	\$500,000
Ordinance or Law (ICC, Demolition, Undam. Portion)	\$1,000,000
Increased Period of Restoration	\$100,000
Debris Removal	\$100,000
Pollutant Cleanup & Removal	\$100,000
Extra Expense	\$500,000
Electronic Data Processing	\$100,000

**Includes:** Inflation Guard Endorsement - 5% Annually  
Accounts Receivable-\$100,000  
Business Personal Property includes personal property of others used in the insured's business that is in the CCC of the insured and which the insured has agreed in writing to insure prior to any loss or damage  
Fine Arts Extension- Inc. in Bldg/Pers Prop limit; valued @ Replacement Cost  
Business Interruption:  
Extended Period of Indemnity 120 days  
Loss at dependent properties included  
Ingress/Egress  
Civil Authority 30 days  
Ordinance or Law-increased Period of Restoration-\$100,000  
Off Premise Power Failure- Water, Communications, and Power  
Claim Data Expense-\$25,000  
Mold, fungus, rot, etc.-\$25,000 each occurrence/\$100,000 aggregate  
\*Terrorism-is covered unless it falls into the Certified Act category  
\*Terrorism-Certified by the Secretary of Treasury in concurrence with the Secretary of State and Attorney General of the US. See Endorsement; however an ensuing fire will be covered. Coverage does not apply to Business Income, Business Interruption or Loss of Rents. (Foreign or Domestic)  
Valuable Papers-\$100,000  
60-Day Notice of Cancellation except 10 day notice for premium non-payment

**Excludes:** Nuclear Hazard, War, Military Action, Electronic Vandalism,  
Pathogenic or Poisonous Biological or Chemical Materials  
Pollution  
Dishonesty  
Certain Computer-Related Losses due to dates or times (Y2K)  
Equipment Breakdown-Boiler & Machinery  
Collapse  
Terrorism-certified acts are excluded unless coverage is purchased

**PROPERTY VALUATION CLAUSE (Replacement Cost):**

The smallest of the following amounts:

- A. The cost to repair, rebuild or replace, at the same site, the lost, damaged or destroyed property, with other property of comparable size, material and quality; or
- B. The actual amount incurred by the insured that is necessary to repair, rebuild, or replace the lost damaged or destroyed property; or
- C. The limit of insurance applicable to the lost, damaged or destroyed property

**FINE ARTS VALUATION CLAUSE:**

The least of the following:

- A. The cost of reasonably restoring that property; or
- B. The cost of replacing that property, at the time and place of loss, with substantially the same property
- C. The market value of the property at the time and place of loss or if the article of property is specifically declared, described and valued in a schedule forming a part of this policy, the amount per article specified in the schedule.

## Premium Summary

Building/Personal Property	30-Nov-03	30-Nov-04	Rate 2003	Rate 2004	Premium 2003	Premium 2004	Minneapolis City Surcharge 2004
State Theatre	\$19,224,400	\$19,224,400	0.20	0.18	38,449	34,604	1% 346.04
Orpheum Theatre	23,369,700	23,369,700	0.20	0.18	46,739	42,065	1% 420.65
Orpheum Skyway	360,450	360,450	0.20	0.18	721	649	1% 6.49
Pantages Theatre	8,095,000	8,095,000	0.20	0.18	16,190	14,571	1% 145.71
Stimson Building	6,500,000	6,500,000	0.20	0.18	13,000	11,700	1% 117.00
Hennepin Stages		2,060,000	0.20	0.18	-	3,708	1% 37.08
<b>Total</b>	<b>57,549,550</b>	<b>59,609,550</b>			<b>115,099</b>	<b>107,297</b>	<b>1,072.97</b>
<b>Business Interruption</b>							
State Theatre	\$1,565,100	\$1,300,849	0.20	0.18	3,130	2,342	1% 23.42
Orpheum Theatre	1,760,765	1,540,479	0.20	0.18	3,522	2,773	1% 27.73
Orpheum Skyway	0	0	0.20	0.18	(1)	-	1% -
Pantages Theatre	586,922	445,027	0.20	0.18	1,174	801	1% 8.01
Stimson Building		0	0.20	0.18	-	-	1% -
Hennepin Stages		136,932	0.20	0.18	-	246	1% 2.46
	<b>\$3,912,787</b>	<b>\$3,423,287</b>			<b>7,825</b>	<b>6,162</b>	<b>61.62</b>
<b>Total Insured Values</b>	<b>\$61,462,337</b>	<b>\$63,032,837</b>			<b>\$122,924</b>	<b>\$113,459</b>	<b>1,134.59</b>
State Theatre					41,579	36,945	369.45
Orpheum Theatre					50,261	44,838	448.38
Orpheum Skyway					720	649	6.49
Pantages Theatre					17,364	15,372	153.72
Stimson Building					13,000	11,700	117.00
Hennepin Stages					-	3,954	39.54
<b>Total Premium</b>					<b>122,924</b>	<b>113,459</b>	<b>1,134.59</b>

