



**Request for City Council Committee Action
From the Finance Department**

Date: December 12, 2006
To: Ways and Means Committee
Referral to: None

Subject: Annual Property Insurance Premium for the Mpls. Convention Center, 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 Ramp) for 1-1-07 coverage. Accept the XL Insurance quote of \$317,950 plus taxes & surcharges and lock in the binder for the 2007 property coverage. Accept the quote for additional terrorism coverage. This will impact Fund 0760, Agency MCC, Org MCCD, Object Code 6080, Sub-Object Code 05 for the Convention Center's Insurance and Fund 0760, Agency MCC, Org MCCJ, Object Code 6080, Sub-Object Code 05 for the Parking Ramp.

Previous Directives: None

Prepared or Submitted by:

Chris Larson, Director of Facility Services, Mpls. Convention Ctr., 335-6116
Ellen Velasco-Thompson, Director of Risk Mgmt. 673-3994

Approved by: Patrick Born, City Finance Officer _____

Steven Bosacker, City Coordinator _____

Presenters in Committee: Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims
Jerry Gallagher, Exec. Director of the Mpls. Convention Ctr.
Chris Larson, Director of Facility Services, Mpls. Convention Ctr.
Marty Mauser and Judy Corradi, Marsh USA, Inc.

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):

Community Impact (use any categories that apply)

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other
- Not applicable

Background/Supporting Information Attached:

The following property renewal is for the Minneapolis Convention Center, Tallmadge Building and Parking Ramp. Marsh was directed by Risk Management and the Convention Center to approach the incumbent and negotiate the most favorable renewal possible. Using benchmarking of other renewals and responses from other Midwestern markets, it was estimated that the Convention Center's renewal could range +5% to -5% one year post hurricane Katrina. Marsh was requested to negotiate a market rate reduction along with options for increased Terrorism coverage with our current provider.

The Convention Center has updated the property damage and business interruption values to reflect changes in construction and material costs over the past twelve months. Updating the values led to an increase in exposure of 5.0% (from \$430.7 to \$452.3 million).

National legislation to extend the Terrorism Risk Insurance Act of 2002 (TRIA) was enacted days before it was to expire this year. TRIA provides insurers and our City, 2 types of terrorism coverage. One, protects us against terrorist acts by or on behalf of foreign interests. The act must be "certified" as applicable under TRIA by the Secretary of State. This means coverage for an act by or on behalf of domestic political interests would not qualify under TRIA. Therefore, the City does need to consider purchase of property insurance covering TRIA events and what is described as "Non Certified" terrorism coverage. Premiums for Terrorism continue to remain high for high profile, high risk, target properties, which is how the marketplace views the Convention Center. This will be more highlighted for coverage in 2008.

The Convention Center currently carries \$400 million of TRIA and \$100 million of Non Certified coverage. Prior to January 1, 2006, the limits were \$250 million for each.

Renewal options were negotiated with XL Insurance for a variety of levels of terrorism coverage. At the same terrorism coverage as last year, XL is offering a 0.5% rate reduction against our new values which have increased 5.0%, equating to a 4.5% premium increase to \$317,950.

An identically priced option is available to decrease the TRIA limit by \$150 million and increase the Non Certified limit by the same amount. This option creates both terrorism limits at \$250 million. Marsh has recommended this option.

Marsh feels this renewal offering is very competitive and recommend binding coverage with XL Insurance. With what we know, and looking one year ahead, both the Director of Facility Services, Convention Center and the Director of Risk Management concur with this recommendation.