



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

**Date:** December 12, 2005  
**To:** Ways and Means Committee  
**Referral to:** None

**Subject: Annual Property Insurance Premium for the Mpls. Convention Center, Talmedge Building, and Parking Ramp**

**Recommendation:** To authorize the City's Finance Officer to review options for property insurance for the Convention Center (including the Talmedge Bldg. and the Ramp) for 1-1-06 coverage. Accept the XL Insurance quote of \$316,861 plus the Mpls. Surcharge and lock in the binder for the 2006 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 \_\_\_\_\_

John Moir, City Coordinator \_\_\_\_\_

Presenters in Committee: Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims  
Anthony Lopez, 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, Talmedge Building and Parking Ramp. After a broad market search last year, 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 markets, it was estimated that the Convention Center's renewal could be in the 10% rate of increase. Catastrophic prone areas are seeing larger increases over 30% and down South, their rates are doubling.

The XL Group insurance rate is a 11.7% premium increase over last year and is evidence of a tumultuous property market, following three major hurricanes this fall (Katrina, Rita, and Wilma). Underwriters are still gauging the loss impact of the hurricanes and its effect on the catastrophic reinsurance treaties. While these events preceded our property renewal, they will indeed effect our renewal rates. While the Convention Center's exposures do not include earthquake or flood prone areas, it does require a large (\$400 million) loss limit due to the concentration of values at risk at a single site, coverage is placed in the "large risk" marketplace.

Complicating the market situation is the failure of Congress to extend the government reinsurance for Terrorism (the Terrorism Risk Insurance Act of 2002, or TRIA) which expires as of 12-31-05. This is the principle method insurers have of providing terrorism coverage in the US. If TRIA is renewed, XL reserves the right to revise the terrorism quote. The only coverage change from the expiring policy involves the Terrorism. The offer includes a \$100 million Terrorism coverage. The XL Group has increased the Terrorism Premium by 25% over last year. Premiums for Terrorism continue to remain high for high profile, high risk, target properties, which is how the marketplace views the Convention Center.

Terms and condition details were reviewed and updated. Convention Center values have increased by 5.1% and the overall premium increase is 17.3%. The Agreed Amount endorsement is again available with the signed Statement of Values.

Marsh feels this renewal offering is very competitive and recommend binding coverage with XL Insurance. These results continue to verify the excellent efforts of the Convention Center Staff in maintaining a safe, secure, state of the art facility.