



Request for City Council Committee Action from the Department of Finance

Date: November 23, 2009

To: Ways & 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 Parking Ramp) for 1-1-2010 coverage. Accept the XL Insurance quote of \$272,697. plus taxes and surcharges and lock in the binder for the 2010 property coverage. Accept the quote for additional terrorism coverage.

Previous Directives: None

Department Information

Prepared by:

Chris Larson, Director of Facility Service, Mpls. Convention Center, 335-6116
Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims/Finance, 673-3994

Approved by:

Steve Ethier, Executive Director of the MCC _____
Pat Born, City Finance Officer _____
Steven Bosacker, City Coordinator _____

Presenters in Committee:

Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims
Steve Ethier, 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 _Yes_ Date 9-17-09

Financial Impact

- No financial impact

Community Impact

- No Community impact

Supporting Information

Prior to our formal renewal strategy session considerable thought was given to marketing the program. While our benchmarking metrics continue to show our rates to be competitive, early discussions with XL indicated they were considering a rate increase due

to increased 'catastrophe' reinsurance costs in '09. A complicating factor was the fact we incurred our first loss with XL (the Convention Center's insurer since 1-Jan-05). In late August a tornado cause an estimated \$375,000 (before deductible, \$275,000 after deductible) loss to the Convention Center – roughly one year's premium.

As this event occurred just as our renewal planning was beginning, at the direction of Chris Larson and Ellen Velasco-Thompson, Marsh approached XL to see if they would agree to a rate reduction in order to avoid marketing. We requested a 10% reduction which we knew was very aggressive in light of the recent claim and the current market conditions. We were preparing to market the program to other insurers when XL responded with a rate reduction of 4.0%. Considering the competitiveness of our expiring program and the well administered loss adjustment, the City accepted the offering and committed to renew.

Total values insured were virtually flat (-0.1%) compared to expiring however a 7.8% reduction in the Terrorism premium helped contribute to the overall reduction. There was a modest increase in the Engineering Services charge from XL of \$719, but on an overall program of \$272,697 this is viewed as acceptable. In total, the Convention Center will save just under \$12,000 in cost compared to the expiring program (-4.0%).

Terrorism is again presented as an option and, as stated above, the reduced cost here is the most significant source of our savings (a reduction of \$4,688). As one of the key coverages for the Convention Center, we expect this will be purchased again.

As was elected two years ago, XL has offered another two year rate agreement that, if accepted, would commit XL to the current rates for two years barring adverse loss experience of the deterioration of the market place. Marsh recommends this be carefully reviewed as there are no disadvantages to the Convention Center to agree to this.