



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

Date: December 2, 2014
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 1-1-2015 coverage. Accept the XL Insurance quote of \$259,100. plus taxes and surcharges and lock in the binder for the 2015 property coverage. Accept the quote for additional terrorism coverage if TRIA is renewed by the federal government and the proposal for the multi-year rate.

Previous Directives: None

Department Information

Prepared by:
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Approved by:
Jeff Johnson, Executive Director of the MCC _____
Kevin Carpenter, Chief Financial Officer _____
Spencer Cronk, City Coordinator _____
Presenters in Committee:
Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims
Jeff Johnson, Exec. Director of the Mpls. Convention Center
Chris Hunjas, Director of Business Administration, Mpls. Convention Center
Katie Watts, Marsh USA, Inc.

Reviews

- Permanent Review Committee (PRC): Approval _pending_ Date 11-4-2014

Financial Impact

- No financial impact

Community Impact

- No Community impact

Supporting Information

Renewal Strategy Meeting: We met with the MCC and Risk Management on October 9th to review the expiring program, current market trends, and 'peer' benchmarking in order to set our 2015-2016 renewal strategy. We are seeing a softer property insurance market, with rate reductions in the -5% to -10% range. With respect to our expiring pricing, Marsh's 'peer group' benchmarking again showed that the MCC's 'average' rate (.0501/\$100 value) is extremely competitive. This placement was aggressively marketed in 2012. The end result was that XL was clearly superior to all competitors in both coverage and price. In total we had secured eight coverage enhancements including improvements in Terrorism. It was agreed our renewal strategy would be to seek 'terms as expiring' from XL and ask for an early commitment with a market commensurate reduction or a possible multi-year flat quote.

Value Update: MCC has updated the physical damage and business interruption values, which lead to a 2.72% growth in the exposure base, and Marsh approached XL for an early response.

XL Renewal Quote: XL's renewal quote contemplates a 5% rate reduction. They have provided a conditional quotation for terrorism. The governmental program providing reinsurance for Certified acts of terrorism is set to expire on 12/31/14. As of this writing, the future of that program is uncertain. XL is committed to providing the coverage at the quoted premium, however they have reserved the right to revisit this in the event that the program is not extended, or is dramatically different.

XL has also provided options for increased deductibles as noted in Section 2 of this document. We have asked them to consider a two year rate guarantee, and they agreed.

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 including the multi-year proposal, the Convention Center and Risk Management agree.