



Request for City Council Committee Action from the Department of Public Works

Date: December 9, 2014

To: Honorable Kevin Reich, Chair Transportation & Public Works Committee

Referral to: Honorable John Quincy, Chair Ways & Means Committee

Subject: Property Insurance Premium for the Public Works Water Treatment & Distribution Services

Recommendation:

Authorize proper city officials to acquire property insurance for the City's water treatment facilities from XL Insurance Company for coverage effective December 31, 2014 to December 31, 2015 for a total cost of \$331,294.

Previous Directives: None

Department Information

Prepared by:

Glen Gerads, Director of Water Treatment & Distribution/PW, 673-2191

Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims/F&PS, 673-3994

Approved by: _____

Steven A. Kotke, P.E., Director of Public Works

Approved by: _____

Kevin Carpenter, Chief Financial Officer

Approved by: _____

Spencer Cronk, City Coordinator

Presenters in Committee:

Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims/Finance & Property Services

Glen Gerads, Director of Water Treatment & Distribution/Public Works

Julie Watts, Marsh USA, Inc.

Reviews

- Permanent Review Committee (PRC): Approval Date 12-4-2014

Financial Impact

- Premium at \$331,294. No additional appropriation is necessary.

Community Impact

- No Community impact

Supporting Information

Background

When the 2011 tornado damaged the Fridley Water Treatment facility the City of Minneapolis sought reimbursement from FEMA. FEMA will reimburse the city only if there is an insurance policy in place to cover future catastrophes. Public Works asked Risk Management to develop exposure information and coverage specifications for a property insurance program for the Fridley and Columbia Heights sites. The result is a broad program with 'all risk' property insurance. Acquiring annual insurance coverage in 2013 for \$339,007 has satisfied FEMA's requirement for reimbursement to the City for damages sustained in the 2011 tornado at an estimated \$760,057.

Submission and Value Development

Working with the City's Broker, Marsh, Public Works updated the physical damage and business interruption values which lead to a 3.7% growth in the exposure base. Marsh approached XL for an early response to take advantage of the fact that XL also has written the insurance on the Convention Center for a number of years. This arrangement provides leverage and helps to produce a more competitive result.

Replacement cost values for the physical assets and annual Business Interruption values reported are \$520 million.

XL Renewal Quote

XL has provided a renewal quotation with a 5% reduction in the "all risk" rate. They are providing a quote for Certified Terrorism at an annual premium of \$20,000.

Recommendation

Public Works, Risk Management & Claims, and the Broker recommends binding the renewal with XL as quoted.