

City of Minneapolis
Request for Committee Action

To: Ways & Means
Date: 12/7/2015
Referral: N/A
From: Finance & Property Services
Prepared by: Jeff Johnson, Executive Director of the Mpls. Convention Center
Ellen Velasco-Thompson, Director, Risk Management & Claims.
Presented by: Ellen Velasco-Thompson, Director, Risk Management & Claims
File type: Action
Subcategory: Contracts & Agreements

Subject:

Annual Property Insurance Premium for the Convention Center (MCC), Tallmadge Building, and Parking Ramp

Description:

1. Accepting the XL Insurance Quote of \$301,160 plus taxes and surcharges and locking in the binder for the 2016 property coverage as well as an option to extend coverage through Jan. 1, 2018; and,
2. Accepting the quote for additional terrorism coverage for TRIA as renewed by the federal government and the proposal for the multi-year rate.

Previous Actions:

None

Ward/Address:

Not Applicable

Background/Analysis:

Marsh LLC presented the property insurance anniversary materials for the Minneapolis Convention Center (MCC).

We met with Chris Hunjas from the MCC on September 29th, 2015 to review the current program, current market trends, and 'peer' benchmarking.

With respect to the current pricing, Marsh's 'peer group' benchmarking continues to show that the MCC's 'average' rate (.0476/\$100 value for "all risk" and terrorism) is extremely competitive compared to an average rate of .099, and a median rate of .061/\$100 value.

Last year, based on the past marketing results, showing XL Catlin Insurance (XL) to be very competitive in terms of pricing and coverage, we pursued and received an early indication that XL would consider a rate reduction. It was agreed that our 2015 renewal strategy would be to seek 'terms as expiring' from XL and ask for an early commitment with a market commensurate reduction. XL provided a two year rate guarantee (policy period) and offered a 5% rate reduction. The City accepted this proposal. Consequently, the 2016 annual premium will be adjusted by applying the current rate to the updated property values.

Chris Hunjas provided updated physical damage and business interruption values, which lead to a 3.57%% growth in the exposure base. The total reported value for the Convention Center plus the parking ramp is \$545,795,907 (Current policy loss limit is \$500,000,000).

XL has provided an option to increase the policy loss limit from \$500,000,000 to \$550,000,000 due to the increase in the total insurable values at the Convention Center site. This would generate an additional annual premium of \$33,000.

Recommendation: The existing policy will remain in place, as the current placement is set to run until 1/1/2017, due to the two year deal offered and accepted last year. XL has offered an extension of this offer at a guaranteed rate (subject to certain caveats including a 40% loss ratio or better.) If you accept this offer, as of 1/1/2017, they would extend the policy to expire 1/1/2018.

We suggest that you give consideration to the option for an increased policy loss limit. It is hard to imagine, but a catastrophic total loss at the Convention Center could exceed the \$500,000,000 policy limit.

Recommendation:

Our Broker, Risk Management Director, and the MCC Executive Director recommend that the City accept XL's property proposal for coverage for 2016 with the option to extend to 2018.

Financial Review:

No additional appropriation required, amount included in current budget.

Future budget impact anticipated.

Approved by the Permanent Review Committee on 11-19-2015.

Enter SUPB goals explanation.