



Request for City Council Committee Action from the Department of Finance

Date: November 19, 2010

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 1-1-2011 coverage. Accept the XL Insurance quote of \$266,518. plus taxes and surcharges and lock in the binder for the 2011 property coverage. Accept the quote for additional terrorism coverage.

Previous Directives: None

Department Information

Prepared by:

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

Approved by:

Jeff Johnson, Executive Director of the MCC
Pat Born, Chief Financial Officer
Steven Bosacker, City Coordinator

Presenters in Committee:

Ellen Velasco-Thompson, Director of Risk Mgmt. & Claims
Jeff Johnson, 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 pending Date 12-2-10

Financial Impact

- No financial impact

Community Impact

- No Community impact

Supporting Information

In our renewal strategy meeting we reviewed 'peer group' benchmarking which showed the Convention Center's current rates are among the most competitive (both the 'rate per \$100 of value' and the 'rate per million of limits' were in the first quartile of all comparable Marsh Clients). Since we have confirmed our current pricing is competitive and we have enjoyed rate reductions from XL in each of the past four years, it was agreed to approach XL Insurance and offer to accept a 2.5% average rate reduction in lieu of seeking competitive quotations.

We reviewed industrial cost trends for inflation and recommended a 0.0% inflation factor for 2011-12 term, which is consistent with guidance provided by most industry sources (FM Global and Zurich were reviewed specifically). After a review of the Business Interruption values and Fine Art Schedule, the overall values are down from \$493.1 million to \$492.8 million (-0.1%).

XL agreed to the 2.5% rate reduction on the insurance however due to increased costs by their Boiler & Machinery inspection vender (ARISE), there was a modest increase (\$681) in their Engineering Services charge, reducing the cost reduction to 2.3% -- from \$297,697 to \$266,518 (or a savings of \$6,179) over 2010-11 costs.

Coverage is the same expiring, including Terrorism of \$250 million and a policy loss limit of \$400 million

In summary, since the 2007-8 renewal, values have increased 8.9%, rates reductions have totaled 23.8% and the total annual cost for the coverage has gone down by 12.4%. Our average rate per \$100 of value (5.41 cents) is now lower than any renewal done in the past 9 years, encompassing all renewals since 9/11.