

HARRIS COUNTY SPORTS & CONVENTION CORPORATION

**AMENDED MEETING NOTICE OF THE BOARD OF DIRECTORS TO DESIGNATE
MEETING AS A SPECIAL MEETING AND EMERGENCY MEETING
WEDNESDAY, MARCH 18, 2020 – 3:00 P.M.**

**Amegy Bank Tower
1717 W. Loop S.
9th Floor – Meeting Room W9D
Houston, TX 77027**

Call-in #: 346-248-7799; Meeting ID: 234 025 688

Electronic Access to the agenda packet is available at:

<http://www.nrgpark.com/wp-content/uploads/March-18-2020-Emergency-Session.pdf>

1. Call to Order

1.a. For items which were posted, if any, as emergency or urgent public necessity items relating to the public health pandemic, the Board shall consider and take action to approve the items as emergency or urgent public necessity items requiring immediate action by the Board because of an imminent threat to public health and safety, or a reasonably unforeseeable situation including any of the reasons listed in the Open Meetings Act.

1.b. Should it be difficult or impossible to convene a quorum of the Board because an emergency or public necessity as defined in the Open Meetings Act relating to the public health pandemic, the Board shall consider and take action to approve the difficulty or impossibility of convening a quorum because of an emergency or public necessity, and if approved may conduct the meeting by recorded internet broadcast telephone conference call with audible access by the public for the open portion of the meeting at the meeting location and two-way communication provided and requiring identification of all speakers. The Board's action to approve a telephone conference call shall designate the emergency or public necessity matters of the telephone conference call meeting as a special meeting requiring immediate action.

2. Public Comments

3. Discussion of and possible action to approve the annual purchase of Property Insurance for NRG Park and NRG Stadium and consideration and approval of certain other matters relating thereto

4. Discussion of and possible action regarding COVID-19 Response and NRG Park

5. Executive Session


The Board of Directors may go into executive session, if necessary, pursuant to chapter 551 of the Texas Government Code, including privileged and confidential attorney client communications, discussion of duties of personnel extending to duties of Executive Director, and security devices.

6. Comments or report by the Executive Director

7. Comments by Directors

8. Comments by the Chairman

9. Adjournment



Ryan M. Walsh, Executive Director
Harris County Sports & Convention
Corporation

HARRIS COUNTY
SPORTS & CONVENTION
CORPORATION



BOARD OF DIRECTORS MEETING

MARCH 18, 2020

AMEGY BANK TOWER
1717 W. LOOP S.
9TH FLOOR - MEETING ROOM W9D
HOUSTON, TEXAS 77027



A



Harris County Sports & Convention Corporation

2020 NRG Stadium and NRG Park Proposal for Property Insurance Program

March 18, 2020



Contents

- Summary
- Strategy
- Markets Approached for 2020
- Changes in the Marketplace
- Changes in Construction Cost
- 2020 Program Comparison of 2019 to 2020
- Historical Premiums
- Aon Fee
- Appendix
 - Compensation for the Value We Deliver

This insurance document is furnished to you as a matter of information for your convenience. It only summarizes the listed proposed policy(ies) and is not intended to reflect all the terms and conditions or exclusions of such proposed policy(ies). Moreover, the information contained in this document reflects proposed coverage as of the effective date(s) of the proposed policy(ies) and does not include subsequent changes. This document is not an insurance policy and does not amend, alter or extend the coverage afforded by the listed proposed policy(ies). The insurance afforded by the listed proposed policy(ies) is subject to all the terms, exclusions and conditions of such policy(ies).

The services and placements outlined in this proposal will be provided in accordance with the terms of the notices and policies set forth in our Compensation Agreement or Engagement Letter.

Summary

Aon is proud to have Harris County Sports and Convention Corporation as a client. We pride ourselves in working with your team to provide the desired property protection of these valuable assets.

- In 2020, the following goals were mutually agreed during our strategy discussions with HCSCC held on December 4, 2019:
 - Market the property program to a broad panel of carriers to seek possible alternate carriers and increase market competition to ensure HCSCC has the most competitive program in the marketplace.
 - Maintain favorable Terms & Conditions.
 - Achieve rate stability for property and terrorism programs given the effect that both 2017, 2018 and now 2019 have been unprofitable for markets writing in the property space. Hurricane's Harvey, Irma, Maria, Florence, and Michael in addition to convective storm losses, California wildfires and severe attritional losses have all contributed to three consecutive unprofitable years for many property carriers.

At the direction of HCSCC, insurable values were increased by 8.71% in 2020. The increased values were a result of a property valuation study completed in 2019. The 2020 marketing results have resulted in a 13.96% annual rate increase for the overall program costs.

Strategy

- Approached 53 Potential Markets
- Went to the Market Early
 - Initial Indications on rate were in the +15% to +25% range
- Held Underwriting Market Meetings for key incumbent carrier partners and potential new markets
- Conducted a property valuation study to ensure accuracy of values. These values have been incorporated into the 2020 – 2021 renewal data
- Maintained Shared / Layered Program Structure for Renewal

Markets Approached for 2020

- ACE Westchester
- Allianz
- Arch Specialty
- Aspen Specialty
- AWAC
- Axis E&S (A)*
- Arrowhead
- Beazley E&S
- Berkeley
- Berkshire Hathaway (A++)*
- Brit
- Catlin
- CNA
- Chubb Custom
- Colony
- CV Starr
- Essex
- Ethos
- Everest
- Genstar
- Great American
- Global Excess Partners
- Hallmark (A)*
- Hartford
- HCC
- Hiscox (A)*
- HSB (A++)*
- Ironshore
- James River (A)*
- JEM (RT Facility)
- Kinsale
- Lexington (A p XV)*
- Liberty
- Liberty E&S
- Lloyds of London*
- Maxum
- Munich RE
- Navigators
- RT Specialty SRU Facility (Lloyds)
- One Beacon
- Pioneer
- Partner Re
- QBE
- RSUI
- Sompo (A)*
- SCOR
- Scottsdale
- Swiss RE (A)*
- Tokio Marine
- Travelers
- XL
- Zurich

*Indicates those companies that are participating in 2020 program
For rating information please visit <http://www.ambest.com/ratings/guide.asp>

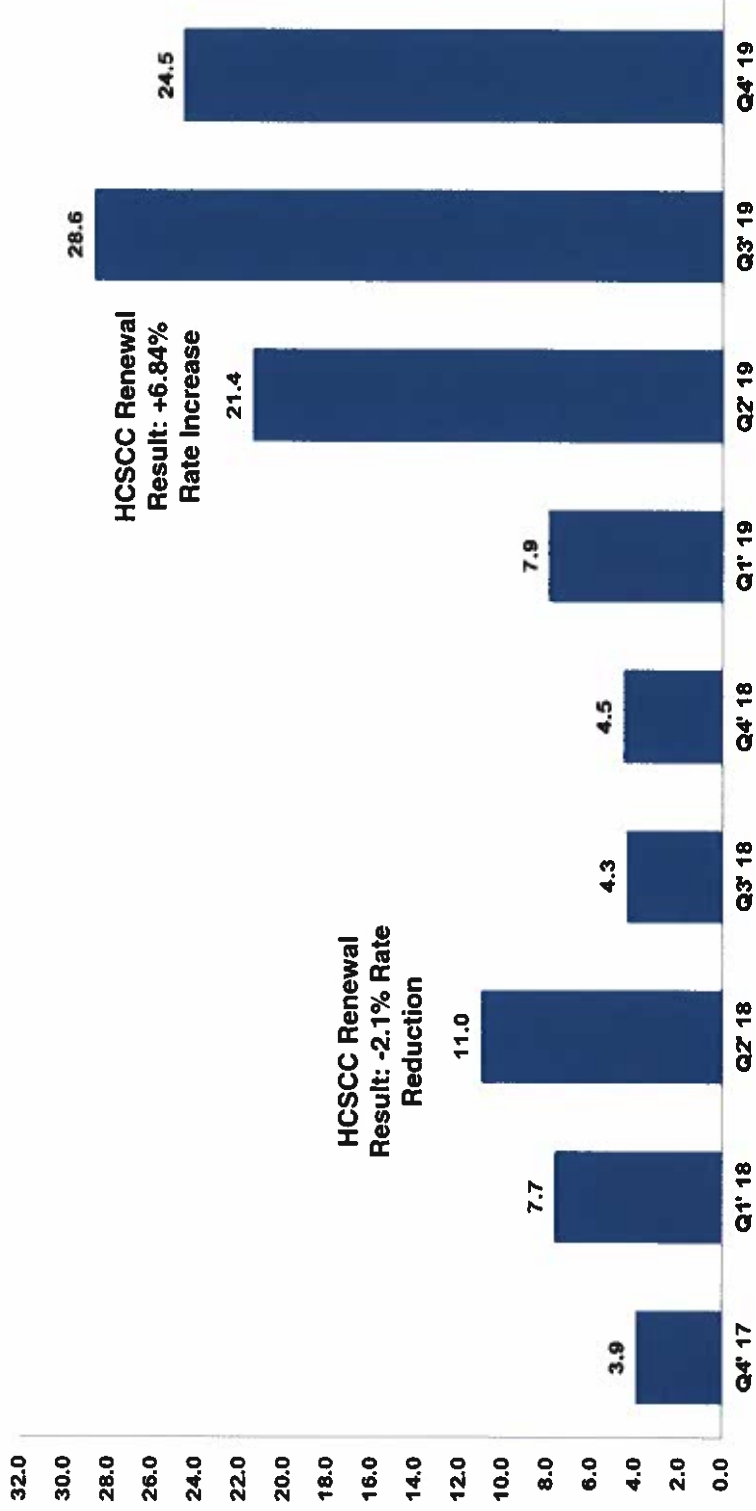
Changes in the Marketplace

What has changed in the marketplace since April 2019?

Category	Q4 '19	Comment	2020	Comment
Pricing	↑	Larger and more complex accounts experienced an average rate increase for the quarter of 24.5%. This represents a decrease compared to the prior quarter for 28.6%. Shared & Layered and Quota-Share Programs experienced an average rate increase for the quarter of nearly 37.5% far exceeding the average of 14.7% for Single Carrier Programs. The quarter represents a continued firming in the market with a nominal decrease in the average. Accounts with difficult occupancies such as food, habitational frame real estate, and hazardous occupancies are experiencing significantly higher rate increases	↑	Accounts with poor experience and natural catastrophe exposures will continue to experience significant pressure. Many carriers are still pushing in the direction of what they deem to be appropriate risk based rates regardless of loss history and exposure. Simply changing program structure from single carrier to a quota-share or shared & layered option may not be the alternative
Limits	↔	Majority clients purchased the same limits	↔	Meaningful changes to limits are not expected for most buyers
Deductibles/ Retentions	↔	Most clients are maintaining the same deductible/retention. However, we are seeing an uptick in clients increasing their retentions to offset rate increases	↔↑	While many buyers will continue to maintain current deductibles/retentions others may need to take on larger retentions to counter premium increases. Expect carrier scrutiny around catastrophe percentage deductibles, particularly around deductible caps
Coverage	↔	No material change in property coverage and broad property coverage is readily available in the market	↔	Cyber Property cover will continue to be underwritten carefully as uncertainty in the space continues. Hail, convective storm and wildfires have also proven problematic for many carriers.
Capacity	↑	Technical market capacity levels remain at an all-time high. However, within certain problematic, loss-driven classes of business, a noticeable retraction in capacity has occurred	↔	We have seen some insurers moving from higher maximum lines to lower working lines due to poor experience. Some carriers have exited specific occupancy classes which have proven unprofitable over time or at least moving away from primary layers.
Losses	↓	Global natural catastrophe insured losses year are approx. USD 58.7B with the U.S. representing about USD 29.4B. This is following 2017 and 2018, which represent the most combined insured losses (\$251B) for back-to-back years on record	↓	The Atlantic had three quiet hurricane seasons from 2013-2015, followed by a slightly above-average season in 2016, near record-breaking levels of activity in 2017 and slightly above-average seasons in 2018 and 2019. Dr. Philip Klotzbach will present 2020 forecast at the Aon Property Symposium

Changes in the Marketplace

Rate Change By Quarter – Q4 2017 through Q4 2019



Changes in Construction Cost

Current Cost Indices As of July 2019

CONSTRUCTION COST INDICES

The increase in construction costs in 2017 and 2018 continued through the first quarter of 2019 as seen in three of the four sources we use to track construction costs. Only the ENR index had lower year-on-year increases in comparison. Steel prices, a leading indicator of construction indices, stabilized at \$662 per metric ton in 2016, increased to an average of \$767 per metric ton in 2017, and jumped up to an average of \$907 per metric ton in 2018. In January 2019, steel dropped slightly to an average of \$872 per metric ton. In general, both more expensive raw materials and an increasing labor shortage are pushing costs higher. As wages continue to rise, more experienced individuals are entering the workforce, however there is limited availability of qualified individuals. The average construction wages for those paid on an hourly basis has increased to \$30 per hour. On a yearly basis, total construction was 3.4% higher than in November 2017. The private sector saw a 2.3% increase from a year ago, while public work had a 7% boost. Non-residential construction in both markets experienced increases compared to this time last year.

	2016	2017	2018	4/2018- 4/2019
ENR – Building Cost Index ²	+2.9%	+3.3%	+3.3%	+2.6%
FM Global* – U.S. Industrial Buildings Average ³	+1.6%	+1.2%	+5.2%	+5.2%
RSMeans – 30-City Average ⁴	+0.8%	+4.0%	+5.5%	+5.6%
Marshall & Swift** – U.S. Average ⁵	0.0 to +0.9%	+2.7 to +3.7%	+3.2 to +6.0%	+2.6 to +5.5%

* FM Indicie only ranges from Jan 2018 to Jan 2019.

**The range of change shown by Marshall & Swift represents different classes of construction.

[Source: <https://www.duffandphelps.com/-/media/assets/pdfs/publications/fixed-asset-management-and-insurance-solutions/cost-trend-update-bulletin-july-2019.ashx>]

HCSCC 2019-2020 TIV	HCSCC 2020-2021 TIV	HCSCC Change in TIV
\$1,158,633,006	\$1,259,528,254	+8.71% Increase

2020 Program Comparison of 2019 to 2020

2019 Program (Current)

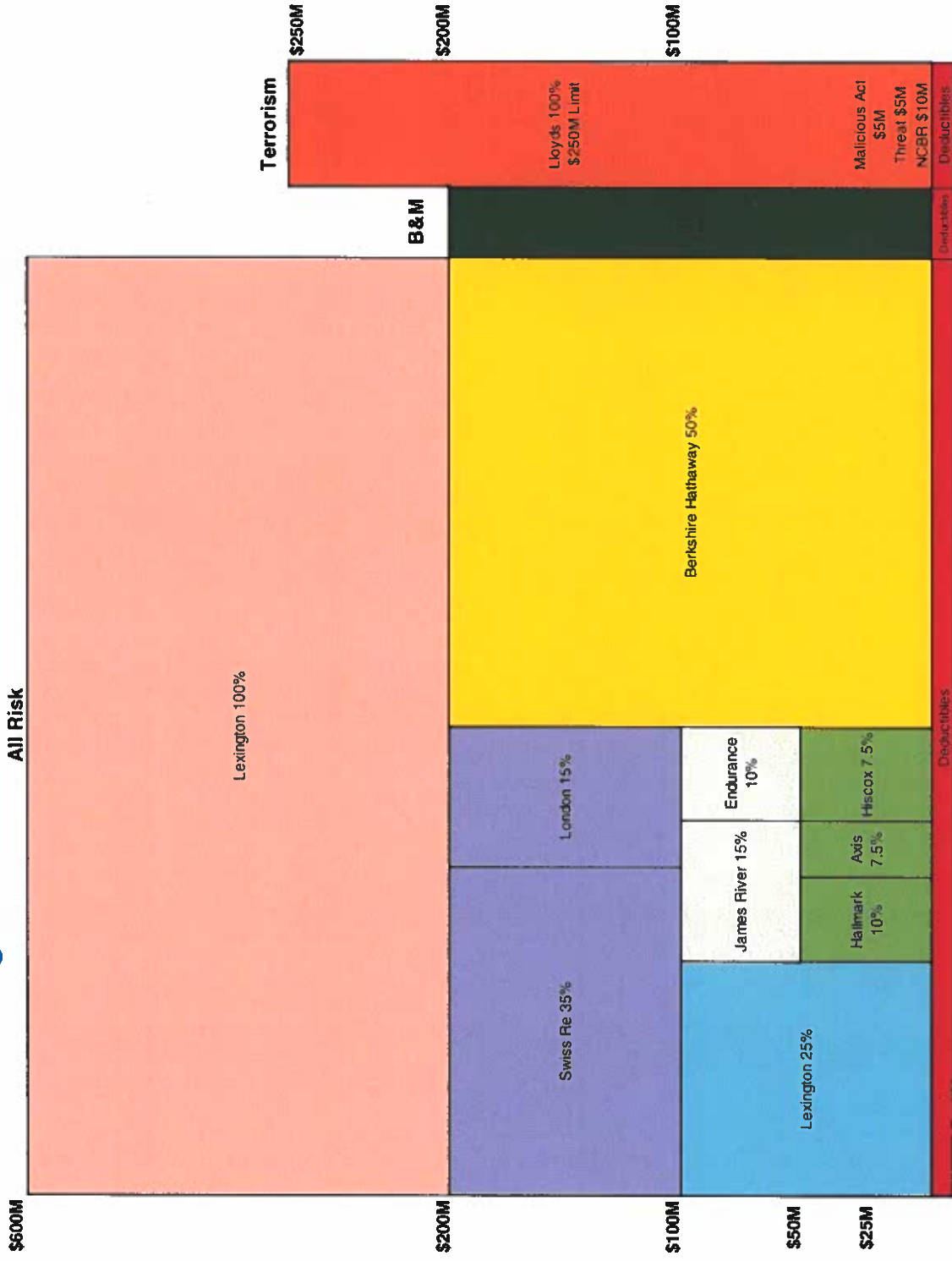
All Other Peril	
Total Limit	\$600,000,000
TIV 2019-2020:	\$1,158,633,006
Sublimits:	
Named Windstorm	- \$200,000,000
Flood/EQ	- \$200,000,000
Terrorism	- \$250,000,000
NCBR	- \$10,000,000
Malicious Act	- \$5,000,000
Threat	- \$5,000,000
B&M	- \$200,000,000
Deductibles:	
AOP	\$250,000
Named Wind (2%)	
Flood	\$500,000
Quake	\$250,000
B&M	\$250,000
Terrorism	\$100,000
\$2,561,342	

2020 Program (Proposed)

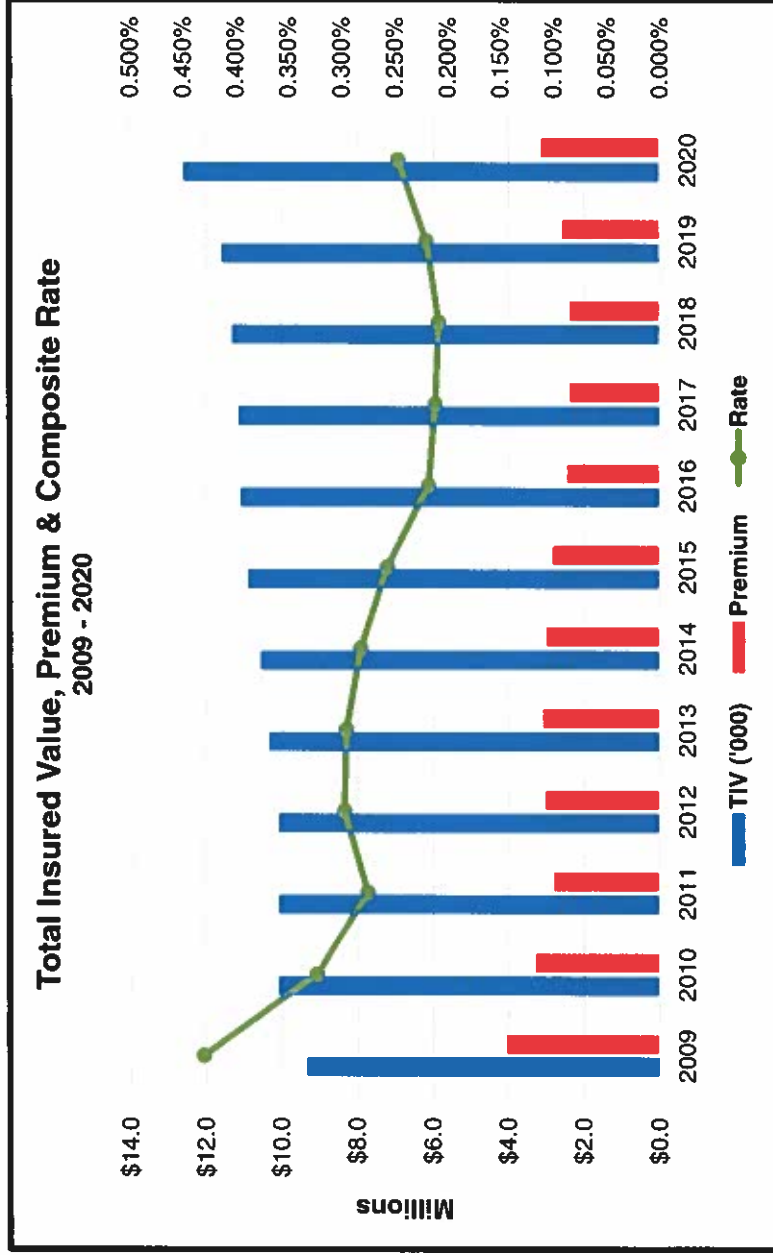
All Other Peril	
Total Limit	\$600,000,000
TIV 2020-2021:	\$1,259,528,254
Sublimits:	
Named Windstorm	- \$200,000,000
Flood/EQ	- \$200,000,000
Terrorism	- \$250,000,000
NCBR	- \$10,000,000
Malicious Act	- \$5,000,000
Threat	- \$5,000,000
B&M	- \$200,000,000
Deductibles:	
AOP	\$250,000
Named Wind (2%)	
Flood	\$500,000
Quake	\$250,000
B&M	\$250,000
Terrorism	\$100,000
\$3,103,211	

All estimates include approximate premium taxes, fees and Aon's service fee. The limits and deductibles are to be used for summary purposes, only. Please refer to the policy for the complete listing.

Proposed 2020 Program Chart



Historical Property Overview



Highlights

- Premium decrease of \$908K since '09 (23%)
- Average Premium of \$2.892 M since '09
- Rate Reduction of 0.185% since '09 (43%)
- Average Rate of 0.273% since '09

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Premium (\$M)	4.011	3.258	2.777	2.999	3.055	2.978	2.806	2.421	2.364	2.363	2.561	3.103
TIV (\$M)	930.7	1,006.4	1,006.4	1,006.4	1,031.5	1,054.0	1,088.9	1,106.7	1,112.9	1,130.6	1,158.6	1,259.4
Rate (% of TIV)	0.431%	0.324%	0.276%	0.298%	0.296%	0.283%	0.258%	0.219%	0.212%	0.209%	0.221%	0.246%

Aon Fee

- 2019 Broker Fee (included in total cost)
 - \$240,000
- 2020 Proposed Broker Fee (included in total cost)
 - \$240,000



Appendix

- Compensation for the Value We Deliver

Compensation for the Value We Deliver

Aon is an insurance broker and, when serving as your retail insurance broker, in addition to or in lieu of compensation you may pay, Aon may earn compensation which relates in whole or in part to your insurance placement.

For policy level commissions, Aon endeavors to receive compensation using standard commission rates by line of business that we seek to achieve with insurers in advance of individual policy placements. We believe this creates a fairer marketplace among insurers and allows our insurers to focus on the client's needs and risk history, not on commission rate negotiation. In turn, because insurers will be evaluated on their capabilities, clients will be able to more easily compare quotes.

Aon's standard commission rates differ by line of business and, when placed in the U.S. market, are up to the following commission rates: Aviation, 17.5%; Casualty, 18.5%; Cyber, 17.5%; Energy, 20%; Entertainment, 20%; Environmental, 18%; Marine 20%; Med Mal/Healthcare, 17.5%; Professional/E&O, 17.5%; Property, 18%; Product Recall, 20%; Financial Lines, 18%; Healthcare, 20%; Surety, 35%; Terrorism, 25%; Trade Credit, 17.5%; and Workers Compensation, 15%. Where an Aon broker is placing a policy in the London or Bermuda market, Aon endeavors to earn 20% on those lines of business. Where Aon has created a facility with proprietary terms and conditions negotiated, the Aon standard commission rates range from 20% - 22.5%. Some lines of business are not conducive to standardization because they are subject to state filing regulations, state-specific rates and/or industry-specific rates. The standard commission rates we achieve do not include program business (e.g.: franchises, sponsored groups) or large deductible programs.

In addition, Aon provides certain administrative and other related placement services to markets. Compensation of up to 7.5% for these services may take the form of a national additional commission (NAC) or a subscription market brokerage (SMB). Collecting these commissions will not change the premium quoted.

Compensation paid to Aon may vary based upon a number of factors, including the insurance contract and the insurer you select, the volume of business and/or profitability of business we place with each insurer. Therefore, Aon may be considered to have an incentive to place insurance coverages with a particular insurance company. We strive for transparency with each Client and the final decision regarding coverage and market options is the Client's decision.

If you are interested in receiving Aon's standard commission grid and/or a Commission Disclosure Report identifying the individual commission rates on your placements or compensation expected to be received based in whole or in part on any alternative quotes, ask your Account Executive or write us at aon.us.broking@aon.com.

About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance

© Aon plc 2020. All rights reserved.

www.aon.com

Contact

Kevin Holley

Account Executive
Aon Commercial Risk Solutions
+1.832.476.6511
kevin.holley@aon.com

Amy Keith

Property Broker
Aon Commercial Risk Solutions
+1.832.476.5658
amy.keith@aon.com



B

**Discussion of and possible action
regarding COVID-19 Response and
NRG Park**

Directions to Amegy Tower & Parking Map
1717 West Loop S. | Houston, TX 77027

Note: You can enter the bank parking from the 610 feeder as well as on Post Oak Park Dr.

- Once you have parked, take the elevators to the Lobby.
- Once in the Lobby, take the elevators to the 10th floor to check-in with the receptionist.

Traveling East On I-10:

Travel east on I-10 for approximately 17 miles
Merge onto I-610 S via EXIT 763
Take EXIT 9A toward San Felipe Rd
Make a U-Turn & Continue on West Loop S to your destination



Traveling South on Southwest Freeway 59 from Downtown:

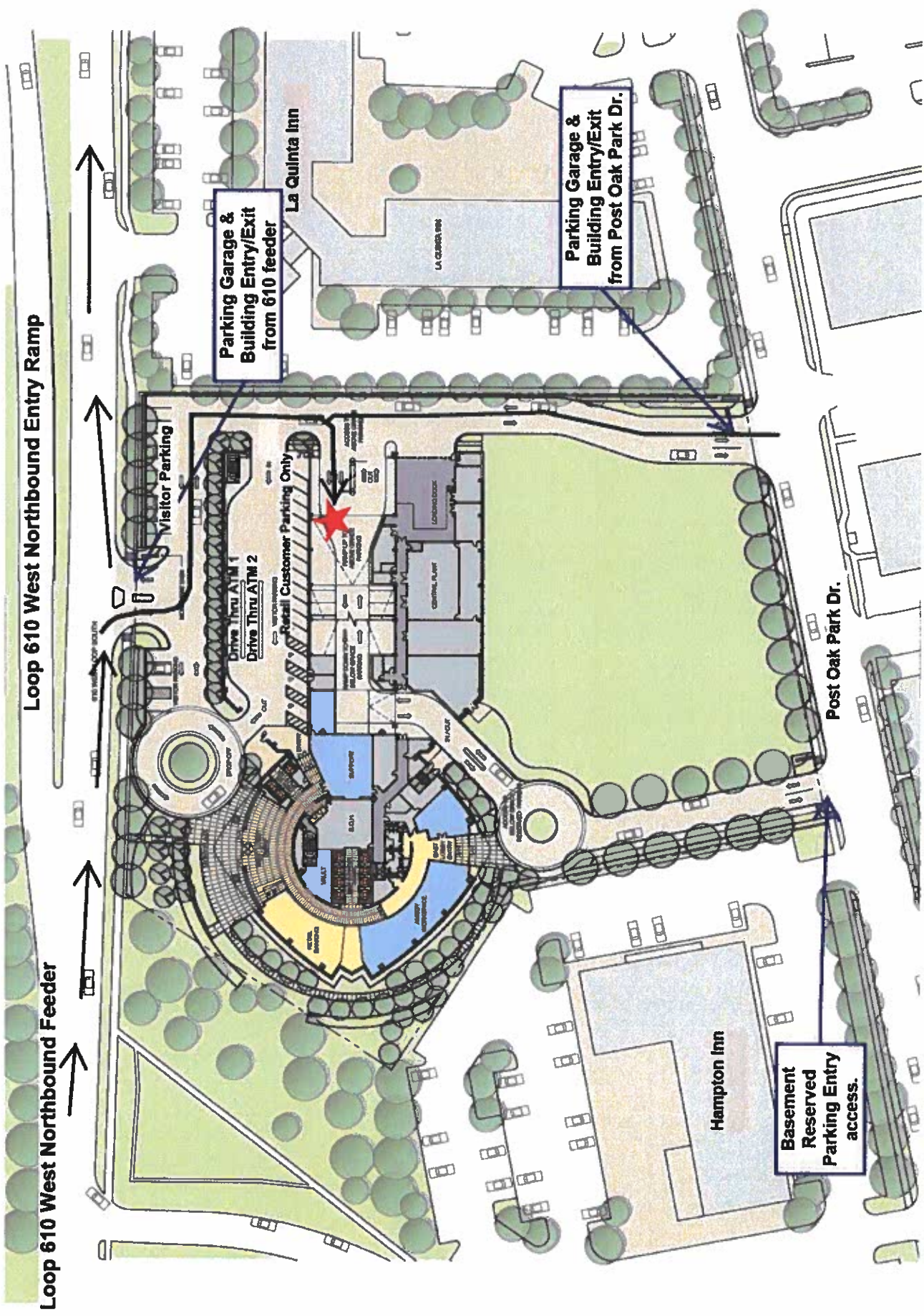
Travel south and take the exit toward Interstate 610 N
Keep left and merge onto I-610 N
Take exit 9 toward San Felipe Rd/Post Oak Blvd
Continue on West Loop S to your destination



Traveling North on Southwest Freeway 59:

Travel North and take the exit toward Interstate 610 N
Keep left and merge onto I-610 N
Take exit 9 toward San Felipe Rd/Post Oak Blvd
Continue on West Loop S to your destination





Loop 610 West Northbound Entry Ramp

Loop 610 West Northbound Feeder

Parking Garage & Building Entry/Exit from 610 feeder

Parking Garage & Building Entry/Exit from Post Oak Park Dr.

Basement Reserved Parking Entry access.

Visitor Parking

Drive Thru ATM 1
Drive Thru ATM 2

Retail Customer Parking Only

La Quinta Inn

LA QUINTA INN

Hampton Inn

Post Oak Park Dr.