

COUNCIL ACTION FORM**SUBJECT:** PROPERTY INSURANCE RENEWAL FOR FY 2018/19**BACKGROUND:**

The City contracts with Willis of Greater Kansas, Inc., to provide property insurance brokerage services for the City's property insurance program. This spring City staff instructed Willis to market our power plant insurance program to ensure that we are receiving the best price for the best product. Willis has obtained quotes for property insurance coverage for FY 2018/19 and they are now being presented for City Council approval.

The City's property insurance program is split into two main components:

- 1) The "Power" component, which covers Resource Recovery, the Power Plant, and assets related to Electric Service's infrastructure. This component has been underwritten by Associated Electric and Gas Insurance Services (AEGIS) since 2012.
- 2) The "Municipal" component, which covers all other City property. This component has been underwritten by Chubb Insurance Group since 2012.

Splitting the City's insurance coverage into two major components allows for an optimization of terms and pricing to fit each insurer's specialty, rather than placing all City property under a one-size-fits-all program. In addition, the broker arranges for flood insurance for properties susceptible to flood damage (CyRide and Furman Aquatic Center).

After initiating the brokerage arrangement with Willis, the City modified its philosophy regarding how much insurance to purchase for property coverage. Prior to 2012, the City purchased insurance coverage equal to 100% of the total value of all City assets, even though there was a very small likelihood that all of the City's assets would be totally destroyed in even the most devastating of events. **In 2012, the City Council authorized staff to procure insurance using the technique of Maximum Foreseeable Loss (MFL). Under this technique, the valuation to cover was based on the scenario of a large EFS tornado touching down near the CyRide facility and destroying everything between it and the Public Works warehouse in east Ames. This assumption is used to calculate the Total Insured Value included in the property insurance program.**

QUOTATION SUMMARY:

As with prior years through Willis, the municipal and flood coverage in the renewal proposal comes from Chubb (municipal property), and RSUI (flood insurance). The account rate for Chubb declined slightly compared to FY 2017/18. The flood insurance quote also declined slightly. The quotation details for the municipal portion of the program are as follows:

2018/19 'Municipal' Facilities Renewal (Chubb & RSUI)			
Chubb "Municipal" Assets Coverage	FY 2018/19	FY 2017/18	Change
Indexed Insured Values@ Replacement Cost, including CvRide Buses on Premises	\$255,226,800	\$252,291,530	1.5%
Chubb Rate	.0736	.0742	-.8%
Chubb Premium	\$144,449	\$143,057	1%
Excess Flood \$5M Layer (RSUI) for WPC, CyRide, Furman Aquatic Center	\$43,437	\$43,567	-.3%
TRIA coverage (terrorism)	\$17,958	\$17,865	1%
Total Municipal Property Premium	\$205,844	\$204,489	.7%

As stated previously, City staff instructed Willis to market our power facility renewal. Six companies were invited to quote the program. Four submitted quotes for review. Starr Tech provided the best quote for slightly better coverage than previously provided by AEGIS. This resulted in a significant savings for the City. Starr Tech has also guaranteed their rate for two years.

2018/19 'Power' Facilities Renewal			
	FY 2018/19 (Starr Tech)	FY 2017/18 (AEGIS)	Change
Indexed Insured Values @ Replacement Cost	\$427,165,686	\$422,100,480	1.2%
Coverage Purchased (MFL Basis; assumes Power Plant Total Loss@ ACV)	\$200,000,000	\$200,000,000	--
Account Rate	\$0.0860	\$0.1078	-20.21%
Total Power Premium, with Terrorism Coverage, taxes, Loss Control Fees, Boiler Inspection and AEGIS Membership Credit	\$393,175	\$483,954	-19%

The combined Power and Municipal premium is as follows:

2017/18 Combined Property Renewal			
	FY 2018/19	FY 2017/18	Change
Total Power Premium	\$393,175	\$483,954	-19%
Total Municipal Property Premium	\$205,844	\$204,489	.7%
TOTAL	\$599,019	\$688,443	-13%

The FY 2018/19 budget includes \$694,835 for the property program premiums.

ALTERNATIVES:

1. Approve the renewal for the property insurance program coverage at the combined quoted premium of \$599,019 for FY 2018/19.
2. Do not approve the renewal of the property insurance program and direct staff to seek additional coverage quotes.

MANAGER'S RECOMMENDED ACTION:

The proposed insurance renewal will provide the City comparable coverage at a lower rate resulting in a lower premium payment. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the renewal for the property insurance program coverage outlined above at the combined quoted premium of \$599,019 for FY 2018/19.