

COUNCIL ACTION FORM

SUBJECT: **PROPERTY INSURANCE RENEWAL FOR FY 2019/20**

BACKGROUND:

The City contracts with Willis of Greater Kansas, Inc., to provide property insurance brokerage services for the City's property insurance program. Willis has obtained quotes for property insurance coverage for FY 2019/20 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 the electrical infrastructure. In FY 2018/19 this coverage was moved to Starr Tech.
- 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, WPC and Furman Aquatic Center).

Since City facilities are spread throughout the community, it is unlikely they will all be destroyed in a single catastrophic event. Beginning 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 is based on the scenario of a large EF5 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 Group (flood insurance). The account rate for Chubb increased compared to FY 2018/19. This is due to the commercial property market hardening because of the plethora of catastrophic events

worldwide. The flood insurance quote also increased because of the recent flooding in the Midwest. Staff requested Willis take the flood insurance to the marketplace, but no other carrier was able to improve upon the incumbent carrier's rate. The quotation details for the municipal portion of the program are as follows:

FY 2019/20 'Municipal' Facilities Renewal (Chubb & RSUI)			
Chubb "Municipal" Assets Coverage	FY 2019/20	FY 2018/19	Change
Indexed Insured Values@ Replacement Cost, including CvRide Buses on Premises	\$255,226,800	\$255,226,800	0%
Chubb Rate	.0785	.0736	6.67%
Chubb Premium	\$151,672	\$144,449	5%
Excess Flood \$5M Layer (RSUI) for WPC, CyRide, Furman Aquatic Center	\$48,737	\$43,437	12.2%
TRIA coverage (terrorism)	\$12,143	\$12,164	-1%
Total Municipal Property Premium	\$212,552	\$205,844	3 %

For the FY 2018/19 program, City staff instructed Willis to market our power facility renewal. This resulted in a significant savings for the City. Starr Tech provided the best rate and also guaranteed no rate increase for two years. For FY 2019/20, the account rate quoted was slightly reduced compared to FY 2018/19. Thus, the slight increase in the FY 2019/20 quote is due to the increase in the value of the property.

FY 2019/20 'Power' Facilities Renewal			
	FY 2019/20	FY 2018/19	Change
Indexed Insured Values @ Replacement Cost	\$435,708,999	\$427,165,686	2%
Coverage Purchased (MFL Basis; assumes Power Plant Total Loss@ ACV)	\$200,000,000	\$200,000,000	--
Account Rate	\$0.0859	\$0.0860	-0.21%
Total Power Premium, with Terrorism Coverage, taxes, Loss Control Fees, Boiler Inspection and AEGIS Membership Credit	\$400,261	\$393,175	1.8%

The combined Power and Municipal premium is as follows:

FY 2019/20 Combined Property Renewal			
	FY 2019/20	FY 2018/19	Change
Total Power Premium	\$400,261	\$393,175	1.7%
Total Municipal Property Premium	\$212,552	\$205,844	3%
TOTAL	\$612,813	\$599,019	2%

The FY 2019/20 budget includes \$675,951 for the property program premiums.

ALTERNATIVES:

1. Approve the renewal for the property insurance program coverage at the combined quoted premium of \$612,813 for FY 2019/20.
2. Do not approve the renewal of the property insurance program and direct staff to seek additional coverage quotes.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed insurance renewal provides adequate coverage of the City's assets with competitive rates. 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 \$612,813 for FY 2019/20.