

COUNCIL ACTION FORM

SUBJECT: RENEWAL OF PROPERTY INSURANCE COVERAGE

BACKGROUND:

The insurance policy for the City's property (building and contents, plus boiler and machinery) coverage expires on June 30, 2011. FM Global has provided this coverage for the last seven fiscal years.

The City has buildings and contents that are currently valued at \$471,692,588. Over \$336,375,907, or 71%, of this value is concentrated in the Electric Utility (Power Plant, substations, and combustion turbines). The premium charged for this coverage is based upon the replacement value of covered properties and structures. A statement of values and corresponding premiums is summarized in Attachment #1.

FM Global has included significant increases in its valuation of the Electric Services facilities. In addition, it has indicated that a flood premium is now being initiated for the CyRide facility and Furman Aquatics Center. Based on these value increases and addition of the flood premium, the increase in total premium from FY 10/11 to FY 11/12 is 29.4%, or an additional \$154,027 (see Attachment #2 for detail). Along with the new flood premium, FM Global has also raised the deductibles for the CyRide and Aquatics Center sites from \$25,000 to \$500,000.

Staff was informed that because FM Global was hit extremely hard around the world by losses, all of their customers are seeing general rate increases, particularly for flood, earthquake and wind coverage. In addition to the increased premium, we have been informed that the City of Ames will not be eligible for a membership credit from FM Global in FY 2011/12 as was received the previous year. These charges and coverages are shown below:

	FY 2010/11	FY 2011/12 Budget	FY 2010/11 Proposal
Policy Limit	\$440,000,000	\$440,000,000	\$500,000,000
Base Premium	\$523,303	\$508,177	\$677,330
Membership Credit	<u>(47,328)</u>	<u>-----</u>	<u>-----</u>
Net Premium	\$475,975	\$508,177	\$677,330

FM Global has provided the City with several options to reduce the total premium based on increases in deductible amounts. (See attachment #3.) However, it does not appear to be in the City's interest to take on more exposure for the relatively small savings offered by FM Global.

ALTERNATIVES:

1. Accept the proposal from FM Global for renewal of property coverage and boiler and machinery coverage during 2011/12 in the amount of \$677,330.
2. Select another option from the alternatives provided on Attachment #3.
3. Reject the FM Global proposal for FY 2011/12, and direct staff both to request a short-term renewal from FM Global and to seek other proposals in the marketplace.

Given that this contract expires in July, it would be extremely difficult to accomplish this option in a timely fashion. However, because of the significant increase in the premium, the Council might want to explore other insurance providers for future years.

MANAGER'S RECOMMENDED ACTION:

Staff does not support increasing the deductibles at this time as outlined in Attachment #3 to reduce the proposed premium. To generate the most savings, \$113,226, the deductibles would have to be increased from \$25,000 to \$500,000 for all properties except CyRide and the Furman Aquatics Center, where these deductibles would be increased to \$1 million.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1, thereby approving the proposal from FM Global Insurance Company for property coverage during the 2011/12 policy year in the amount of \$677,330.

City of Ames

Locations, Values, Premiums and Rates as of 01 July 2011

Summarized by D E Lindgren

Loc	Index	Division	Name	Address	2011 Values	2011 Premium	2011 Rate	2010 Values	2010 Premium	2010 rate
1	68778.42	Public Works	City Administration	5th Street & Clark Avenue	\$10,584,517	\$7,018	0.066	\$10,681,028	\$7,082	0.066
2	68778.71	CyRide	Transit Garage & Maintenance Building	1700 6th Street	\$6,613,128	\$63,548	0.961	\$6,667,343	\$6,501	0.098
3	68778.40	Electric	Power Plant - Building nos. 1 - 4, 6 - 12, 14 - 18 & 20	East 5th Street & 502 Carroll Avenue	\$289,779,530	\$386,566	0.133	\$250,797,387	\$290,892	0.116
4	68778.39	Electric	Combustion Turbines & Substation	Pullman Avenue	\$46,596,377	\$91,469	0.196	\$52,358,945	\$89,369	0.171
4A	68778.39	Public Works	City Maintenance Facility & Storage Building nos. 1 - 5	2207 Edison Street	\$3,369,355	\$3,285	0.098	\$3,396,709	\$3,312	0.098
4B	68778.39	Public Works	Distribution Work Center	2208 Edison Street	\$2,152,461	\$2,099	0.098	\$2,166,556	\$2,112	0.098
5	68778.49	Water & Pollution Control	Sewage Treatment Plant - Building nos. 1 - 46	56797 280th Street	\$44,431,660	\$43,318	0.097	\$44,676,963	\$43,557	0.097
6	68778.75	Public Works	Resource Recovery Building	110 Center Avenue	\$12,632,235	\$24,635	0.195	\$12,695,018	\$24,758	0.195
7	68778.56	Water & Pollution Control	Water Treatment Plant - Building nos. 1 - 24 & Fencing	300 East 5th Street	\$13,260,839	\$8,790	0.066	\$13,371,773	\$8,864	0.066
8	68778.45	Library	Library	515 Douglas Avenue	\$13,484,517	\$15,777	0.117	\$13,561,648	\$15,867	0.117
9	999.39	Public Works	Airport Building nos. 1 - 7	Airport Road	\$2,335,585	\$2,277	0.098	\$2,359,177	\$2,300	0.098
10	68778.76	Fire Department	Fire Station no. 1	1300 Burnett Avenue	\$2,098,579	\$3,069	0.146	\$2,118,320	\$3,098	0.146
11	999.41	Fire Department	Fire Station no. 3	2400 South Duff Avenue	\$1,218,118	\$1,781	0.146	\$1,228,715	\$1,797	0.146
12	999.42	Water & Pollution Control	Water Tower	Bloomington Road	\$2,048,624	\$2,996	0.146	\$2,069,015	\$3,026	0.146
13	999.43	Water & Pollution Control	Water Tower	500th Street & US Highway 30	\$1,435,024	\$2,099	0.146	\$1,449,234	\$2,120	0.146
14	1476.23	Public Works	Office	426½ & 428 Southwest 5th Street	\$583,450	\$1,566	0.268	\$583,450	\$1,566	0.268
15	0.00	Public Works	Cemetery - Maintenance Building, Office & Storage Garages	320 East 9th Street	\$193,431	\$207	0.107	\$194,999	\$209	0.107
16	0.00	Fire Department	Fire Station no. 2	132 Welch Avenue	\$881,909	\$1,419	0.161	\$889,741	\$1,431	0.161
17	0.00	Electric	Substation - Stange	Stange Road & 24th Street	\$700,148	\$683	0.098	\$700,501	\$683	0.098
18	0.00	Water & Pollution Control	Pump Station	State Avenue & Mortenson Road	\$588,417	\$947	0.161	\$593,675	\$955	0.161
19	1993.93	Public Works	Furman Aquatic Center	1635 13th Street	\$9,099,586	\$6,568	0.072	\$9,163,925	\$6,546	0.071
20	0.00	Electric	Substation - Mortenson	Mortenson Road	\$852,524	\$831	0.098	\$852,877	\$832	0.098
21	0.00	Electric	Substation - Top-O-Hollow	Top-O-Hollow Road	\$998,019	\$973	0.098	\$998,372	\$973	0.098
22	0.00	Electric	Substation - South 9th (D.O.T.)	South 9th Street	\$110,261	\$108	0.098	\$110,402	\$108	0.098
23	0.00	Electric	Substation - Iowa State (AEC)	Iowa State University	\$313,174	\$305	0.098	\$313,315	\$305	0.098
24	0.00	Electric	Substation - Switching Gear	Downtown	\$179,342	\$175	0.098	\$179,342	\$175	0.098
25	0.00	Electric	Substation - Haber (ISU)	Haber Road	\$175,869	\$171	0.098	\$177,645	\$173	0.098
26	0.00	Water & Pollution Control	Squaw Creek Pump Station	Squaw Creek	\$67,943	\$109	0.161	\$68,509	\$110	0.161
			MUL - US	Misc Unnamed Locs - US	\$4,907,966	\$4,542	0.093	\$4,952,465	\$4,583	0.093
					\$471,692,588	\$677,330	0.144	\$439,377,048	\$523,303	0.119

ATTACHMENT # 2

Item	Premium Change	Total Premium	Percentage
Expiring		\$523,303	
New Values	\$34,462	\$557,765	6.6%
Rate change at Power Plant	\$62,397	\$620,162	11.9%
Overall rate change	\$0	\$620,162	NA
Flood premium	\$57,168	\$677,330	10.9%
Overall change	\$154,027	\$677,330	29.4%

FM Global Premium Options for FY 11/12

\$471,692,588 = Total Insurable Value of Property

Premium	Coverage
Option 1 = \$677,330	Reflects 100% of Thermoflow estimates for Power Plant and Combustion turbines, and an increase of 15% in rates for Power Plant due to inaction on fire protection improvements, and a premium increase for CyRide and Furman Aquatic Center for flood coverage (in addition <u>new flood</u> deductibles for CyRide and Furman are \$500,000 per location). Currently deductibles are either at \$25,000, \$100,000, \$250,000 or \$350,000 (see below for details)
Option 2 = \$663,850	Increasing <u>property</u> deductibles to \$250,000 for all properties under that amount.
Option 3 = \$613,722	Increase <u>property</u> deductible to \$500,000 for all locations.
Option 4 = \$627,662	Increase <u>flood</u> deductible to \$1 million for CyRide and Furman (would still have up to \$100 million flood coverage after meeting that \$1 million flood deductible)
Option 5 = \$614,182	Increase <u>property</u> deductibles to \$250,000 for all properties under that amount and increase <u>flood</u> deductible to \$1 million for CyRide and Furman
Option 6 = \$564,104	Increase <u>property</u> deductibles to \$500,000 and increase <u>flood</u> deductibles to \$1 million at CyRide and Furman.

\$25,000 deductible 10/11 policy

City Hall
 2207 Edison - Fleet/Public Works Warehouse
 2208 Edison – Electric Distribution
 Library
 Airport Building # 1-7
 Fire Stations 1,2 & 3
 Water Towers
 Cemetery Maintenance Building
 Pump Station
 Furman Aquatic Center
 CyRide

\$100,000 deductible 10/11 policy

Sewage Treatment Plant
 Resource Recovery
 Water Treatment Plant
 Substations

\$250,000 deductible 10/11 policy

Power Plant

\$350,000 deductible 10/11 policy

Gas Turbines