

ITEM#: 19
DATE: 06-14-22

COUNCIL ACTION FORM

SUBJECT: PROPERTY INSURANCE RENEWAL FOR FY 2022/23

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 2022/23 and these quotes 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 for underwriting the policy.
- 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).

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 proposed rates for Chubb and RSUI have increased compared to FY 2021/22. This is due to the commercial property market hardening because of an increasing number of catastrophic events worldwide and the rising cost of construction materials.

The quotation details for the municipal portion of the program are as follows:

FY 2022/23 'Municipal' Facilities Renewal (Chubb & RSUI)			
Chubb "Municipal" Assets Coverage	FY 2022/23	FY 2021/22	Change
Indexed Insured Values@ Replacement Cost, including CyRide	\$275,163,817	\$263,281,233	5%
Chubb Rate (<i>premium plus TRIA</i>)	.0899	.0799	16.8%
Chubb Premium	\$231,730	\$210,092	10.29%
TRIA coverage (terrorism)	\$15,749	\$15,100	4.3%
Excess Flood \$5M Layer (RSUI) for WPC, CyRide, Furman Aquatic Center	\$74,068	\$63,592	16.47%
Total Municipal Property Premium	\$321,547	\$288,784	11.4%

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. Although the total value of covered power facilities has increased, the purchased coverage remains fixed at \$200,000,000. For the FY 2022/23 renewal, a slight rate increase was quoted.

FY 2022/23 'Power' Facilities Renewal			
	FY 2022/23	FY 2021/22	Change
Indexed Insured Values @ Replacement Cost	\$461,851,538	\$451,394,523	2%
Coverage Purchased	\$200,000,000	\$200,000,000	--
Account Rate	\$0.1253	\$0.1201	4.3%
Total Power Property Premium	\$608,295	\$551,187	10.36%

The combined Power and Municipal premiums result in an overall property insurance program cost increase of \$89,871 for FY 2022/23 over the prior year. This is a 10.7% increase compared to the FY 2021/22 amount.

FY 2022/23 Combined Property Renewal			
	FY 2022/23	FY 2021/22	Change
Total Power Premium	\$608,295	\$551,187	10.36%
Total Municipal Property Premium	\$321,547	\$288,784	11.4%
TOTAL	\$929,842	\$839,971	10.7%

At the time the FY 2022/23 City Budget was prepared, staff had anticipated a property

insurance premium increase of up to 16%. **Therefore, the adopted FY 2022/23 City budget includes \$968,747 for the property program premiums, which is sufficient to cover these increased premium expenses.**

ALTERNATIVES:

1. Approve the renewal for the property insurance program coverage at the combined quoted premium of \$929,842 for FY 2022/23.
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. Although the premiums have increased, these increases were anticipated, and sufficient funding has been incorporated into the City's budget.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1.