

ITEM #:	<u>14</u>
DATE:	<u>06-10-25</u>
DEPT:	<u>HR</u>

### COUNCIL ACTION FORM

**SUBJECT:**                      **PROPERTY INSURANCE RENEWAL FOR FY 2025/26**

**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 2025/26, and these quotes are now being presented for City Council approval.

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

- 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 of the policy.
- 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 the specific 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 account rate for Chubb increased by 3.8% while the RSUI decreased 10.7% from FY 2024/25. The quotation details for the municipal portion of the program are as follows:

**FY 2025/26 'Municipal' Facilities Renewal (Chubb & RSUI)**

<b>Chubb "<u>Municipal</u>" Assets Coverage</b>	<b><u>FY 2025/26</u></b>	<b><u>FY 2024/25</u></b>	<b><u>Change</u></b>
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Indexed Insured Values@ Replacement Cost, including CyRide Buses on Premises	<b>\$348,012,912</b>	<b>\$345,745,037</b>	<b>.6%</b>
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Chubb Rate ( <i>premium plus TRIA</i> )	<b>.1101</b>	<b>.1061</b>	<b>3.8%</b>
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Chubb Premium	<b>\$383,000</b>	<b>\$366,822</b>	<b>4.4%</b>
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TRIA coverage (terrorism)	<b>\$21,733</b>	<b>\$19,299</b>	<b>12.6%</b>
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Excess Flood \$5M Layer (RSUI) for WPC, CyRide, Furman Aquatic Center	<b>\$100,000</b>	\$111,957	-10.7%
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<b><u>Total Municipal Property Premium</u></b>	<b><u>\$504,733</u></b>	\$498,078	1.3%
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The municipal property premium is calculated by dividing the indexed insured value by 100, then multiplying the result by the rate.  $[(\$348,012,912/100) \times .1101] = \$383,000$  (the quote uses a slightly more precise number for rate, which results in the quote being calculated at \$383,000).

### **FY 2025/26 "Power" Facilities Renewal**

The coverage for the Power facilities remains fixed at \$200,000,000. This amount is the maximum that the City has been able to procure from the market. **The Council should note that this is less than the value of all the Power facilities combined, meaning that in the extremely unlikely event that all power assets (including the Power Plant, all substations, the combustion turbines, and the Resource Recovery Plant) were destroyed in a single incident, the City would have to finance the portion of the replacement cost that exceeds the coverage limit.**

The premium is based on the total insured value rather than the policy limit, since a higher-valued property has a greater chance of reaching the policy limit compared to a lower valued property.

	<b><u>FY 2025/26</u></b>	<b><u>FY 2024/25</u></b>	<b><u>Change</u></b>
Indexed Insured Values @ Replacement Cost	<b>\$300,371,536</b>	\$300,371,536	0%
Coverage Purchased	<b>\$200,000,000</b>	\$200,000,000	--
Account Rate	<b>\$0.158</b>	\$0.158	-0
<b><u>Total Power Premium</u></b>	<b><u>\$496,230</u></b>	\$496,230	0%

The power property premium is calculated by dividing the indexed insurance value by 100 multiplied by the rate.  $[(\$300,371,536/100) \times .158] = \$474,587$  (the quote uses a slightly more precise number for rate, which results in the quote being calculated at \$475,718). Added to the premium is TRIA (terrorism) coverage (\$20,512) for a total of \$496,230.

### **FY 2025/26 Combined Property Renewal**

	<b><u>FY 2025/26</u></b>	<b><u>FY 2024/25</u></b>	<b><u>Change</u></b>
Total Power Premium	<b>\$496,230</b>	496,230	0%
Total Municipal Property Premium	<b>\$504,733</b>	\$498,078	1.3%
<b><u>TOTAL</u></b>	<b><u>\$1,000,963</u></b>	\$994,308	.7%

The renewal quote for FY 2025/26 municipal properties is lower than the budgeted amount due a softening of the commercial property insurance market. At the time the FY 2025/26 City Budget was prepared, staff had anticipated a property insurance premium increase of up to 30%. Therefore, the adopted FY 2025/26 City budget includes a total of \$1,191,304 for the property program premiums: \$617,294 for Municipal Property premiums and \$574,010 for Power facilities premiums.

**ALTERNATIVES:**

1. Approve the renewal for the property insurance program coverage at the combined quoted premium of \$1,000,963 for FY 2025/26.
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 and at a lower than anticipated cost.** Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.