

ITEM #:	21
DATE:	06-09-26
DEPT:	HR

COUNCIL ACTION FORM

SUBJECT: PROPERTY INSURANCE RENEWAL FOR FY 2026/27

BACKGROUND:

The City contracts with Willis of Greater Kansas, Inc. (WTW) to provide property insurance brokerage services for the City's property insurance program. Willis has obtained quotes for property insurance coverage for FY 2026/27, 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 and includes Terrorism Risk Insurance Act (TRIA) coverage.
- The "Municipal" component, which covers all other City property including Terrorism Risk Insurance Act (TRIA) coverage.

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, Water and Pollution Control, and Furman Aquatic Center).

The Terrorism Risk Insurance Act (TRIA) is a 2002 law passed after 9/11 which requires commercial insurers to offer terrorism coverage to its commercial insureds. The Act allows the private insurance companies to share the cost of acts of terrorism with the federal government on a percentage basis. Failure to procure TRIA would put the City at financial risk should a certified terrorism event occur.

QUOTATION SUMMARY:

FY 2026/27 'Municipal' Facilities Renewal (Chubb and RSUI)

Chubb 'Municipal' Assets Coverage	FY 2026/27	FY 2025/26	Change
Indexed Insured Values @ Replacement Cost, including CyRide Buses on Premises	\$386,562,464	\$348,012,912	11.08%
Chubb Rate (Premium plus TRIA)	.1046	.1101	-4.99
Chubb Premium	\$404,200	\$383,000	5.54%

TRIA Coverage	\$22,733	\$21,733	4.6%
Excess Flood \$5M layer (RSUI) for WPC, CyRide and Furman Aquatic Center	\$70,000	\$100,000	-30%
Total Municipal Property Premium	\$496,933	\$504,733	-1.55%

The municipal property premium is calculated by dividing the indexed insured value by 100, then multiplying the result by the rate. $[(\$386,562,464/100) \times .1046] = \$404,344$ (the quote uses a slightly more precise number for rate, which results in the quote being calculated at \$404,200).

FY 2026/27 '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.

	FY 2026/27	FY 2025/26	Change
Indexed Insured Values @ Replacement Cost	\$304,695,284	\$300,371,536	1.44%
Rate	.150	.158	-5.06%
Coverage Purchased	\$200,000,000	\$200,000,000	0%
TOTAL 'Power' Premium	\$477,150	\$496,230	-3.85%

The power property premium is calculated by dividing the indexed insurance value by 100 multiplied by the rate. $[(\$304,695,284/100) \times .150] = \$457,043$ (the quote uses a slightly more precise number for rate, which results in the quote being calculated at \$456,750). Added to the premium is TRIA (terrorism) coverage (\$20,400) for a total of \$477,150.

It should be noted that the cost for property coverage for the 'Power' facilities over the past several years has been impacted by the lack of underwriters willing to cover the facilities due to the existence of the waste-to-energy system. Staff has been told that if waste-to-energy concludes and the Power Plant operates as a typical energy generating facility, there is likely more interest among underwriters.

It is anticipated that waste-to-energy operations will cease in the first half of calendar year 2027. Staff will work with Willis to prepare to re-market the 'Power' portfolio of covered property once the timing of the transition away from waste-to-energy is better known. The new

Resource Recovery & Recycling Campus (R3C) is expected to be added at that time to the 'Municipal' portfolio of properties, covered by Chubb.

FY 2026/27 Combined Property Renewal

	FY 2026/27	FY2025/26	Change
Total 'Municipal' Premium	\$496,933	\$504,733	-1.55 %
Total 'Power' Premium	\$477,150	\$496,230	-3.84%
TOTAL PROPERTY PREMIUM	\$974,083	\$1,000,963	-2.69%

The renewal quotes for FY2026/27 reflect a softening of the commercial insurance market. Both 'Municipal' and 'Power' insurers reduced their rate by approximately 5%. However, the increase in property values and the addition of new facilities such as the Fitch Family Aquatic Center and the new Water Pollution Control administrative building kept the City from realizing the full potential of the 5% rate reduction.

At the time the FY 2026/27 budget was requested, City staff anticipated an increase in both property values (6%) and rate (15%). Thus, the adopted FY 2026/27 budget includes a total of \$1,201,058 for the property insurance premiums: \$679,012 for 'Municipal' premiums and \$522,046 for 'Power' premiums. The contributions established for each operating budget will be adjusted later in FY 2026/27 to reflect the lower cost of the premiums.

ALTERNATIVES:

1. Approve the renewal of the property insurance program coverage at the combined quoted premium of \$974,083 for FY 2026/27.
2. Do not approve the renewal of the property insurance program and direct staff to seek additional coverage quotes.

CITY MANAGER'S RECOMMENDED ACTION:

Willis Towers Watson reviews the City's coverage annually to ensure its properties are properly insured. When appropriate WTW takes the City's coverage to market. This year it was determined that retaining the two incumbent insurers was the most economical. The proposed insurance renewal provides adequate coverage of the City's assets and at a lower than expected cost. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

ATTACHMENT(S):

[2026 07 PROP QUO - CHUBB.pdf](#)

[City of Ames - Flood Quote - \\$5M xs \\$1M \(Axis\).pdf](#)

[2026 07 PROP \(Utility\) QUOTE Starr.pdf](#)