

Interisk Corporation Risk Mgt. & Employee Benefits Consultants

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Laura Estevez
Risk Manager/Safety Officer
City of Key West
P.O. Box 1409
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Laura:

Per your request I have reviewed Public Risk Management of Florida (PRM) proposal for the City's Property and Casualty Insurance program for the 2024/25 policy year as submitted by World Risk Management (WRM). For the most part, it appears as if PRM's terms and conditions of the coverages they are offering are consistent with the 2023/24 policy term. I will discuss each coverage and note any changes in coverages under separate caption.

PROPERTY

The City's Total Insurable Values have increased from \$250,475,792 TO \$262,282,828 (4.71%). WRM reflects a percentage increase of 4.87%. This discrepancy did not factor into my evaluation.

PRM includes the City's Vehicle Physical Damage coverage in their Property program.

PRM's program provides \$50 million of Builders Risk coverage. It is believed that the terms and conditions of the 2024/25 coverages will be comparable to the 2023/24 coverages. The premium for the City's Builders Risk coverage is included in the Property premium.

PRM's program provides \$250,000 of coverage for damages to the City's watercraft that are 27 feet or less feet on an unscheduled basis. It is believed that the terms and conditions of the 2024/25 coverages will be comparable to the 2023/24 coverages. The premium for the City's Watercraft coverage is included in the Property premium.

PRM's program will continue to have a Communicable Disease exclusion. This could significantly impact the City if one of their buildings is deemed to have been contaminated as a result of COVID19 or any other communicable disease. Currently there is considerable litigation in progress to determine the extent of coverage a standard property policy provides for buildings contaminated by a communicable disease. The final outcome of this litigation may impact the effects this exclusion will have on the City.

PRM is offering 2 options for the Named Windstorm coverage. Option 1 will limit all Named Storm losses to \$15 million. Option 2 will limit all Named Windstorm losses to \$100 million that will have to be shared with all other PRM members that suffer Named Windstorm losses. It is believed the City selected the \$15 million option last year. Flood losses will be limited to \$50 million except for losses to Contractors Equipment, Fine Arts, Vehicles and Unnamed Locations which will be limited to \$10 million.

A Self Insured Retention (SIR)/Deductible of \$25,000 will apply to all Property claims except coverage for Flood losses will be in excess of NFIP limits and Named Windstorm losses will be subject to a 5% SIR/Deductible. The Flood SIR/Deductible is consistent with industry standards. The Named Windstorm SIR/Deductible is lower than

industry standards. Most Property policies are subject to a percentage deductible of at least 10% or will have a flat deductible that could be as high as \$1 million per occurrence/per location.

PROPERTY TERRORISM & SABOTAGE

It appears as if the terms and conditions of the City’s Property Terrorism & Sabotage coverage will be the same for the 2023/24 program compared to the 2022/23 program. This coverage has an overall limit of \$25 million that has to be shared with all of PRM’s members. A \$10,000 deductible will apply to all losses. It appears as if the coverages being offered adequately protects the City. However, the Premium Breakdown of the proposal does not reflect this coverage. The fact that the coverage is being provided by Lloyds of London instead of PRM suggests that a separate premium will apply to this coverage.

ACTIVE SHOOTER & MALICIOUS ATTACK

The terms and conditions of the City’s Active Shooter & Malicious Attack coverage will be the same for the 2024/25 program compared to the 2023/24 program. This coverage has an overall limit of \$2 million. A \$10,000 deductible will apply to all losses. It appears as if the coverages being offered adequately protects the City. However, the Premium Breakdown of the proposal does not reflect this coverage. The fact that the coverage is being provided by Lloyds of London instead of PRM suggests that a separate premium will apply to this coverage.

Equipment Breakdown

There will be 2 changes to PRM’s Equipment Breakdown coverage.

1. Errors in Description losses will be limited to \$5 million. The 2023/24 policy did not have such a limitation. It is not known what is meant by Errors in Description. The latest version that I have of PRM’s policy does not address Errors in Description. It is recommended that you ask World Risk what is meant by Errors in Description. I will be in a better position to evaluate the implication of this change once the definition of Errors in Description is known.
2. The limit for EDP Breakdown losses is being reduced from \$500,000 to \$250,000. This reduction does not concern me. It is unlikely that the City would have an Equipment Breakdown loss to its EDP Equipment that would exceed \$250,000.

CRIME

The terms and conditions of PRM’s Crime coverage will be the same for the 2024/25 policy year as it was for the 2023/24 policy year. The following coverages and limits will be provided:

Coverage	Limits
Employee Theft	\$1,000,000
Forgery or Alterations	\$1,000,000
Theft	\$1,000,000
Robbery	\$1,000,000
Computer Fraud	\$1,000,000
Funds Transfer Fraud	\$1,000,000
Money Orders and Counterfeit Papers Currency	\$1,000,000

The premium for this coverage is included in the Property program. A \$1,000 deductible will apply to all losses. No further comments can be offered.

GENERAL LIABILITY

There are no changes to PRM's General Liability coverages. The terms and conditions of the 2024/25 coverage will be the same as the 2023/24 coverage. It is believed that this coverage adequately protects the City.

AUTO LIABILITY

The 2024/25 program will have the same terms and conditions found in the 2023/24 program. A per occurrence limit of \$1,000,000 shall apply with the City being responsible for the first \$100,000 of each loss. The premium for this coverage is included in the General Liability coverage.

It is believed that this coverage adequately protects the City.

PUBLIC OFFICIALS LIABILITY

The 2024/25 program will have the same terms and conditions found in the 2023/24 program.

A per occurrence limit of \$1,000,000 shall apply with the City being responsible for the first \$100,000 of each loss. The premium for this coverage is included in the General Liability coverage.

It is believed that this coverage adequately protects the City.

WORKERS' COMPENSATION AND EMPLOYERS LIABILITY

The 2024/25 program will have the same terms and conditions found in the 2023/24 program. Statutory Workers' Compensation coverage will be provided with Employers Liability limits of \$2,000,000. A self-insured retention of \$325,000 will apply to each claim. The estimated premium will increase from \$294,674 to \$300,476. This represents an increase of \$5,802 (1.9%). The projected payrolls of the City is expected to increase by 5.12%. It is therefore believed that the majority, if not all, of the increase is due to the increase in the City's payroll.

It is believed that this coverage adequately protects the City.

CYBER LIABILITY

Coverage will continue to be provided by Great American Insurance Company with terms and conditions comparable to the 2023/24 program. It could not be determined if the premium for this coverage is included in one of the other coverages or if a separate charge will be made. It is believed that the coverage will adequately protect the City.

EXCESS LIABILITY

This coverage is not being purchased.

POLLUTION AND REMEDIATION LEGAL LIABILITY

This coverage is not being purchased.

AIRPORT OWNERS AND OPERATIONS LIABILITY

This coverage is not being purchased.

PREFERRED MEMBER PARTICIPATION CREDIT

PRM offers a premium credit to its preferred members. In the 2023/24 policy year the credit was \$50,364. PRM is increasing this credit to \$70,364 for the \$100 Million Named Windstorm option and \$62,314 for the \$15 Million Named Windstorm option.

SUMMARY

The following 2 tables displays the City's insurance coverages for the 10/1/24 to 10/1/25 policy term. The first table assumes a Named Windstorm limit of \$100,000,000 and the second assumes a Named Windstorm limit of \$15,000,000.

Named Windstorm Limits of \$1070 Million					
Coverage	Insurer	Limits	Deductible/Retention	Annual Premium	Comments
Property	PRM	\$62,682,827	\$25,000 except NFIP limits for flood and 5% for Named Windstorm	\$3,291,019	Sub-limits apply to various losses
Property Terrorism & Sabotage	Lloyds of London	\$25 million per occurrence and \$25 million annual aggregate	\$10,000	Could not be determined	
Active Shooter & Malicious Attacks	Lloyds of London	\$1 million per occurrence and \$1 million annual aggregate	\$10,000	Could not be determined	
Crime	PRM	\$1,000,000	\$1,000	Incl. in Property	
General Liability	PRM	\$1,000,000	\$100,000	\$349,628	
Auto Liability	PRM	\$1,000,000	\$100,000	Incl. in General Liability	
Public Officials Liability	PRM	\$1,000,000	\$100,000	Incl. in General Liability	
Workers' Compensation/Employers Liability	PRM	WC- Statutory EL - \$2,000,000	\$325,000	\$300,476	
Cyber Liability	Great American Insurance Co.	\$1,000,000	\$25,000	Incl.	
Boiler and Machinery	Travelers	\$50 million	\$1,000 except \$10,000 for transformers 10,000 KVA or greater	\$26,280	
Participation Credit				(\$70,364)	
Total				\$3,897,039	

Named Windstorm Limits of \$15 Million					
Coverage	Insurer	Limits	Deductible/Retention	Annual Premium	Comments
Property	PRM	\$250,475,792	\$25,000 except NFIP limits for flood and 5% for Named Windstorm	\$2,837,085	Sub-limits apply to various losses
Property Terrorism & Sabotage	Lloyds of London	\$25 million per occurrence and \$25 million annual aggregate	\$10,000	Could not be determined	
Active Shooter & Malicious Attacks	Lloyds of London	\$1 million per occurrence and \$1 million annual aggregate	\$10,000	Could not be determined	
Crime	PRM	\$1,000,000	\$1,000	Incl. in Property	
General Liability	PRM	\$1,000,000	\$100,000	\$349,628	
Auto Liability	PRM	\$1,000,000	\$100,000	Incl. in General Liability	
Public Officials Liability	PRM	\$1,000,000	\$100,000	Incl. in General Liability	
Workers' Compensation/Employers Liability	PRM	WC- Statutory EL - \$2,000,000	\$325,000	\$300,476	
Cyber Liability	Great American Insurance Co.	\$1,000,000	\$25,000	Incl.	
Boiler and Machinery	Travelers	\$50 million	\$1,000 except \$10,000 for transformers 10,000 KVA or greater	\$26,280	
Participation Credit				\$(62,314)	
Total				\$3,451,155	

It is believed the City selected the \$15 million Named Windstorm option last year. If the City continues with the \$15 million Named Windstorm option, the City's premiums will increase by \$143,944 (4.35%). Based on the increase in the City's Total Insurable Values and the increase in the City's payroll, it is believed the premium increase is reasonable.

If the City selects the \$100 million Named Windstorm option, the City's premiums will increase by \$589,828 (17.84%). It has to be recognized if this option is selected the \$100 million has to be shared with all PRM members that suffer losses from the same storm. It is believed that the \$15 million option will better serve the City.

Please let me know how you would like to proceed.

Cordially,

INTERISK CORPORATION

A handwritten signature in black ink, appearing to read "S G Webber". The signature is written in a cursive style with a horizontal line at the end.

Sidney G. Webber
CPCU, ARM