

risk managers

BEN FEW & COMPANY, LLC

August 27, 2024

Laura Estevez Bringle
Risk Manager/Safety Officer
City of Key West
1300 White Street
Key West, FL 33040

RE: 2024-25 Property and Casualty Insurance Renewal

Dear Laura:

In response to your email from Friday, August 16, this letter will outline the City of Key West's prospects for its upcoming property and casualty insurance renewal, effective October 1, 2024. To reiterate, Ben Few & Company is an independent consulting firm and has no ties or affiliations with any agent, broker, or insurance carrier. We do not sell insurance products of any kind and do not accept remuneration from any entity other than our clients. As you understand, the scope of this review is limited to what is contained within the Public Risk Management of Florida (PRM) renewal proposal as presented by World Risk Management. Furthermore, it is offered with the caveat that having not been involved on a continuous, day-to-day basis with the City, I cannot necessarily speak to any of the optional coverage items included toward the end of the proposal (excess liability, pollution, and aviation). In simpler terms, this is a year-over-year comparison of coverage already in place, new exposures notwithstanding.

Property Loss Limits: Coverage, Exposure, Pricing

While the consensus seems to be that the global insurance market remains hardened through 2024, a number of factors—chief among them, a relatively quiet Atlantic storm season in 2023—have been noted as supporting a more optimistic outlook. The word “stability” has been consistent across a variety of market outlook publications this year. Through the first half of 2024, property insurance renewals have not been anywhere near as volatile in comparison to those at this time last year. Insureds are still seeing increases, but relative to 2023, they are considerably more palatable. The top end range of the projected increases would seem to be 30% or so, given certain conditions, with 10-20% being a more common range. Renewal pricing as presented this year is indeed considerably more favorable when compared with the 2023-24 renewal.

With respect to coverage terms, excepting two minor differences to the Equipment Breakdown form (sublimits have been instituted for errors in description and electronic data or media, at \$5 million and \$250,000, respectively, neither of which is cause for concern), there are virtually no changes outside of increases to underlying exposures. Total insured values (TIV) have increased by nearly 5%, and projected payroll for the renewal period is noted as having increased by just over 5%.

As with last year's renewal, PRM has offered a property coverage loss limit option this year. As the City transitioned to a \$15 million loss limit at last year's renewal, the option being presented this year is a limit of \$100 million, for an additional \$445,884 in premium over the \$15 million renewal.

As was stated a year ago, it bears repeating:

For all of the usual reasons—primarily geographic location—I cannot recommend taking the lower loss limit, especially because the definition of named windstorm in the coverage form includes storm surge. The City's TIV increases year to year and its [spread of risk does] not. Unless there's been an extreme hardening of City property in recent times my expectation would be that your probable maximum loss in a 250-year event would be approximately 35% of TIV—on the low side—which is considerably more than a \$15 million loss limit would cover. Granted, not everything will always be covered, but the density of the City's property exposure leads me to believe that \$15 million would be exhausted very quickly in the event the City was to sustain a direct hit in a catastrophic event.

In closing, it is our recommendation to renew at the higher named windstorm limit (\$100 million), if possible, as it is warranted by the City's location and density of exposure. Given consecutive years of heavy price increases, this office also recommends engaging the marketplace in 2025-26 as a due diligence measure.

We certainly appreciate being of service to the City of Key West and invite you to contact us with any questions you may have. Please do not hesitate to reach out to discuss further.

Best regards,

BEN FEW & COMPANY, LLC



Ben Few IV, CRM, CIC, AAI
President