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August 31, 2017

Mr. Todd Stoughton  
Risk Manager/Safety Officer  
City of Key West  
P. O. Box 1409  
Key West, FL 33041

Subject: Property and Casualty Insurance  
Siver Recommendation

Dear Mr. Stoughton:

At your request, Siver has reviewed the two proposals you forwarded to us for the City of Key West's (City's) property and casualty insurance coverages effective October 1, 2017, and we offer our recommendation.

The two proposals we were asked to review are from Public Risk Management of Florida through World Risk Management (World Risk/PRM) and Preferred Governmental Insurance Trust and various other insurers through Public Risk Insurance Agency (PRIA/PGIT).

#### **SIVER RECOMMENDATION**

We recommend that the City accept the proposal from World Risk/PRM to continue the City's property and casualty coverages, for an annual policy premium of \$985,983 which is \$427,632 lower than the premium proposed by PRIA/PGIT of \$1,413,615.

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The combined estimated annual premiums for the recommended World Risk/PRM program are summarized as follows:

| Coverage  | Insurer               | Deductible/SIR                        | Premium          |
|---|-----------------------|---------------------------------------|------------------|
| Property, Inland Marine, Crime, Auto Physical Damage & Equipment Breakdown  | PRM Travelers         | \$25,000 except<br>5% Named Windstorm | \$470,628        |
| General Liability,<br>Employee Benefits Liability,<br>Law Enforcement Liability,<br>Public Officials/EPL,<br>Cyber Liability,<br>Automobile Liability | PRM<br>Great American | \$100,000 SIR                         | \$274,009        |
| Excess Workers' Compensation  | PRM                   | \$325,000 SIR                         | \$261,067        |
|   |                       | Participation Credit                  | <u>-\$19,721</u> |
|   |                       | TOTAL                                 | \$985,983        |

In addition, we recommend purchase of the ancillary policies as proposed by PRIA for the premiums disclosed herein.

## DISCUSSION OF PROPOSALS

Attached to this letter are our Proposal Analysis Work Papers. These work papers compare coverage terms and conditions of the renewal proposal offered by World Risk/PRM to the proposal offered by PRIA/PGIT, and include a premium/cost summary.

While both World Risk/PRM and PRIA/PGIT provided a breakout of premiums by the general coverage lines of Property, Liability and Workers' Compensation, it is our understanding that separating out any of these coverage lines from either of the two proposed package programs would either not be permitted by the insurer(s) or would significantly affect the cost of all coverages. For that reason, we have not attempted to build a combined option as it would not be cost advantageous for the City to do so.

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### **Two Year Rate Guarantee**

World Risk/PRM has offered a two year rate guarantee option; however, it is worth noting that the following limitations will apply:

- The guarantee does not apply to property insurance rates;
- The guarantee does not apply if the City's loss ratio for either liability or workers' compensation exceeds 40% for the period.
- In the event the Member cancels one, or all lines of coverage prior to October 1, 2019, a penalty equal to 60 days premium of the line(s) of coverage shall apply.

Although the rates would remain the same, the premium would still be subject to changes to the City's exposure/rating data (auto schedules, payroll and number of employees).

Considering the above described limitations and cancellation penalty, we do not recommend that the City accept the two year rate guarantee option.

### **Differences between World Risk/PRM and PRIA/PGIT Proposals**

The attached work papers compare the coverages proposed in both programs.

The programs proposed by World Risk/PRM and PRIA/PGIT offer similar coverage and both programs have their advantages and disadvantages. The two largest advantages of the World Risk/PRM proposed program are the premium cost and the property coverage sublimits.

- **Premium Cost** – The annual program premiums proposed by both proposers are based on similar schedules and payroll information. World Risk/PRM's proposed premium of \$985,983 is \$427,632 lower than the premium proposed by PRIA/PGIT of \$1,413,615.
- **Property Coverage Sublimits** – In general, the shared property coverage sublimits offered by World Risk/PRM are significantly higher than the sublimits offered by PRIA/PGIT. While it is not our opinion that the lower PGIT sublimits are inadequate, the higher PRM sublimits are an advantage.

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**Ancillary Coverages**

In addition to the package coverages which were proposed by World Risk/PRM, the City also has additional ancillary policies which also renew October 1, 2017. The renewal of these policies was offered by the City's contracted insurance broker, PRIA, and we recommend acceptance of these policies, as proposed, at the following pricing levels:

| <u>Ancillary Policy</u>                 | <u>Premium</u> |
|---|----------------|
| Lloyds Primary Flood                    | \$150,035      |
| Pollution & Remediation Legal Liability | \$22,186       |
| Outer Mole Marine Liability             | \$8,684        |
| MOLL                                    | \$22,472       |
| Wharfingers                             | \$16,066       |
| Hull Coverage                           | \$9,165        |
| Vessel Pollution                        | \$3,620        |
| Storage Tank Liability                  | \$4,504        |
| Statutory AD&D                          | \$5,558        |

**SUMMARY**

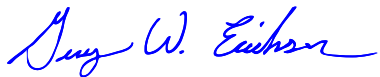
We recommend that the City accept the proposal from World Risk/PRM to continue the City's property and casualty coverages, for an annual policy premium of \$985,983 which is \$427,632 lower than the premium proposed by PRIA/PGIT of \$1,413,615.

In addition, we recommend purchase of the ancillary policies as proposed by PRIA for the premiums disclosed herein.

We appreciate this opportunity to be of service to the City of Key West. If you have any questions, please let us know.

Very truly yours,

SIVER INSURANCE CONSULTANTS



George W. Erickson, JD, CPCU, LLM  
Reviewed by: Kathy V. Doak, ARM-P, AAI

KVD/ms