

risk managers

BEN FEW & COMPANY, LLC

September 1, 2021

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1300 White Street
Key West, FL 33040

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RE: Property and Casualty Insurance Renewal Strategy for 2021-22

Dear Todd and Laura:

In response to your email from Tuesday, August 31, this letter will outline the City of Key West's prospects for its upcoming property and casualty insurance renewal. 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 will not accept remuneration from any entity other than our clients.

Per your request, I have reviewed the renewal proposal received from PRM, and in short, this office believes it is in the City's best interest to renew the program as proposed. I must again offer the caveat that having not been involved on a day-to-day basis with the City, I cannot necessarily speak to any of the optional coverage items that PRM has included at the end of their proposal (excess liability, pollution, and aviation), and the scope of my review is limited to what is contained in the renewal proposal. Having said that, I note the substantial increase in premium on the renewal proposal, primarily due to the increase in underlying replacement cost property values. While increases in pricing and changes to terms are consistent with the continued deterioration and general hardening of the global insurance market, the City's renewal seems to be the result of its own drastic increase in exposures, rather than one driven strictly by market conditions, though those do certainly play a role.

At a glance, it would appear that this type of increase is the result of not having had a replacement cost appraisal in a number of years, and despite the increase in premium being rather shocking, I would be hard pressed to argue against the results of a recent appraisal, especially given your property portfolio and location.

While this office ultimately believes it is in the City's best interest to renew with the PRM program as proposed, investigation of various deductible options, coverage exclusions (e.g., ex-

wind options on certain items), and further evaluation of the return value on insuring certain items—especially contents and property in the open—seems warranted for the purposes of seeking immediate premium relief. I do note that a number of the more ‘hurricane hardened’ items already appear to have been removed from the latest statement of values.

At only thirty days until your renewal, there simply isn’t enough time to formally solicit the open market, and even then, it is exposures, not market conditions, that are creating the increase in cost. Beyond that, as has previously been noted with regard to the City’s solicitation history, I cannot say that I would recommend soliciting the open market any earlier than next year.

This office is still of the opinion that the City of Key West remains an ideal candidate for the pooled insurance programs offered through the various Florida trusts. While the ongoing tightening of the market certainly plays a role in your renewal pricing, it is the change to its values that is driving the City’s renewal.

We certainly appreciate being of service to the City 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

A handwritten signature in blue ink, appearing to read 'Ben Few IV', with a long horizontal line extending to the right.

Ben Few IV, CRM, CIC, AAI
President