

risk managers

BEN FEW & COMPANY, LLC

August 25, 2020

Todd Stoughton
Risk Manager/Safety Officer
City of Key West
1300 White Street
Key West, FL 33040

Re: Property and Casualty Insurance Renewal Strategy for 2020-21

Todd:

In response to your email from Thursday, August 20, 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 the coverage lines as expiring.

As we have discussed at length in years past, the City of Key West remains an ideal candidate for the pooled insurance programs offered through the various Florida trusts. In addition, as has also been previously discussed at length, the City's insurance solicitation history places it in a position where market interest may not be all that fervent at this time. For these reasons, along with the proposed option to renew the second of a two-year rate guarantee on the liability and workers' compensation lines, this office does not see any major advantages to soliciting the open market and would recommend renewing through PRM as proposed.

Both pricing and changes to terms are consistent with the continued deterioration and general hardening of the global insurance market. The COVID-19 pandemic has also contributed in no small way, although the global market may not feel the exact effects for some time yet. Its most immediate impact seems to be the introduction or clarification of exclusionary language related to bacteria, virus, and communicable disease, though many forms have contained this language for years, and those that did not would seem to be the exception, not the rule. It follows that there is related language in PRM's proposal this year. Of course, as you know, the big exposure for the City is property, which has seen increases in each of the last two years, albeit not

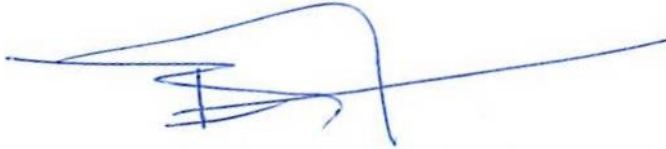
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necessarily toward the higher end of the spectrum that entities with less favorable loss experience are facing; this office has seen individual property insurance renewals increase by as much as 40% so far in 2020. Additionally, while not immediately impacting public entities quite as drastically as the private sector, there is a general tightening of liability markets following up the property segment, also being helped along by COVID-19. Realistically though, these conditions exist across the board, which is again why we recommend renewing as proposed.

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 be 'Ben Few IV', with a long horizontal line extending to the right.

Ben Few IV, CRM, CIC, AAI
President