

risk managers

BEN FEW & COMPANY, LLC

August 25, 2023

Todd Stoughton
Assistant City Manager
City of Key West
1300 White Street
Key West, FL 33040

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

RE: 2023-24 Property and Casualty Insurance Renewal

Dear Todd and Laura:

In response to your email from Thursday, August 17, this letter will outline the City of Key West's prospects for its upcoming property and casualty insurance renewal, effective October 1, 2023. 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 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 comparison of coverage already carried, year over year, outside/new exposures notwithstanding.

Property Loss Limits: Coverage, Exposure, Pricing

The obvious issue facing the City—and all other Florida entities—is its property exposure and the rising costs associated with the relative insurance product. To say that we are in a hard market would be an understatement. Having said that, speaking directly to renewal pricing as presented, the percentage increase ranges are right in line with what this office is seeing elsewhere for public entity renewals in 2023 (~30-60%).

Strictly with respect to coverage terms presented in the renewal proposal, excepting some minor differences to the Equipment Breakdown form (actual cash value on equipment twenty-five years or older, business income limit reduced to \$100,000, water damage sublimited to \$100,000), nearly all remain as expiring, with the major exception being that the shared named windstorm limit has been reduced from \$100 million to \$80 million. Industry convention has also held that

increased named storm deductibles are inevitable in 2023; however, the City's program remains the same as expiring in that regard, which is certainly positive. I note that total insured values (TIV) have increased by approximately 2%, whether by carrier trending or at that City's choosing, I could not say. Also noting that the City's most recent replacement cost appraisal was only two years ago, it is the opinion of this office that the increase is both appropriate and prudent. Estimated payroll for the renewal period is noted as having increased by 6%.

The noteworthy alternative option that's been presented this year is whether to take a loss limit of \$15 million for named windstorm coverage, in lieu of \$80 million, for a premium reduction that amounts to an overall difference of approximately 23% on total renewal cost. Frankly, 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 borders do 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 (\$80 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 2024-25 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