

# Interisk Corporation

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Mr. Todd Stoughton  
Risk Manager  
City of Key West  
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Todd:

Per your request I have reviewed Public Risk Management of Florida (PRM) proposal for the City's Property and Casualty Insurance program as submitted by World Risk Management. PRM is going to make several changes to their coverages. Some are viewed as having minimal impact on the protection the City is purchasing. However, some may have a larger impact on the protection. To facilitate the understanding of the impact these changes may have on the City's insurance program, each coverage line will be discussed independently. I will then conclude with a summary of the entire program.

## **PROPERTY**

It is understood that the City's buildings were appraised this year that resulted in the City's property values increasing from \$165,289,156 to \$238,684,063. As a result, the City's Property premiums have increased from \$971,434 to \$1,578,138. While this is a significant increase, it is believed that the higher Property values is a major factor for the increase. The City's premium rate per \$100 of values for the 2020/21 policy was \$0.5877. The premium rate per \$100 of values for the 2021/22 policy term will be \$0.6612. Had the City's values not increased and remained at \$165,289,156 PRM's Property premium would have been approximately \$1,092,863. This would have resulted in the City's Property premiums increasing by \$121,429 (12.5%) compared to the actual increase of \$606,704 (62.4%). While any increase is undesirable, some of my other clients recently experienced 12% to 15% increases in their Property premiums. Recognizing that the City's Property values increased so much it is believed the Property premium being proposed by PRM is reasonable.

It appears as if the terms and conditions of the 2021/22 coverages will be comparable to those of the 2020/21 coverages. The overall limits of PRM's Property program must be shared between all of its members. Even though the program includes various sub-limits to include losses caused by wind or flood, a wide spread storm that impacts a number of PRM's members could exhaust PRM's program limits and in turn impact the City's recovery following a loss.

PRM includes the City's Vehicle Physical Damage coverage in their Property program. The 2020/21 program provided limits of 100% for the first \$2,500,000 and 80% of losses in excess of \$2,500,000. The 2021/22 program will now pay 100% of each loss subject to an overall policy limit of \$10,000,000. This is viewed as an enhancement to PRM's program. The premium for the City's Vehicle Physical Damage coverage is included in the Property premium.

PRM's program provides \$5 million of Contingent Business Interruption Coverage. It is believed that the terms and conditions of the 2021/22 coverages will be comparable to the 2020/21 coverages. The premium for the City's Contingent Business Interruption coverage is included in the Property premium.

PRM's program provides \$50 million of Builders Risk coverage. It is believed that the terms and conditions of the 2021/22 coverages will be comparable to the 2020/21 coverages. The premium for the City's Builders Risk coverage is included in the Property premium.

PRM's 2019/20 program provided \$2,500,000 of coverage for damages to the City's watercraft that are 27 or less feet on an un-scheduled basis. It is believed that the terms and conditions of the 2021/22 coverages will be comparable to the 2020/21 coverages. The premium for the City's Watercraft coverage is included in the Property premium.

PRM's program will continue to have a Communicable Disease exclusion. This could significantly impact the City if one of their buildings is deemed to have been contaminated as a result of COVID19 or any other communicable disease. Currently there is considerable litigation in progress to determine the extent of coverage a standard property policy provides for buildings contaminated by a communicable disease. The final outcome of this litigation may impact the effects of this exclusion will have on the City.

PRM's Property premium is being increased from \$971,434 to \$1,578,138. This represents an increase of \$606,704 (62.4%). The majority of this increase is attributable to the City's buildings values increasing significantly. The City will be responsible for the following retentions:

- Basic Retention - \$25,000
- Flood Losses NFIP Zones A&V - Excess of NFIP Limits (\$500,000)
- Flood Losses All Other NFIP Zones - \$25,000
- Named Windstorm – 5% of Damages

**PROPERTY TERRORISM & SABOTAGE**

The terms and conditions of the City's Property Terrorism & Sabotage coverage will be the same for the 2021/22 program compared to the 2020/21 program. This coverage has an overall limit of \$25 million that has to be shared with all of PRM's members. A \$10,000 deductible will apply to all losses. It appears as if the coverages being offered adequately protects the City. However, the Premium Breakdown of the proposal does not reflect this coverage. The fact that the coverage is being provided by Lloyds of London instead of PRM suggests that a separate premium will apply to this coverage.

**ACTIVE SHOOTER & MALICIOUS ATTACK**

The terms and conditions of the City's Active Shooter & Malicious Attack coverage will be the same for the 2021/22 program compared to the 2020/21 program. This coverage has an overall limit of \$1 million. A \$10,000 deductible will apply to all losses. It appears as if the coverages being offered adequately protects the City. However, the Premium Breakdown of the proposal does not reflect this coverage. The fact that the coverage is being provided by Lloyds of London instead of PRM suggests that a separate premium will apply to this coverage.

**CRIME**

The terms and conditions of PRM's Crime coverage will be the same for the 2021/22 policy year as it was for the 2020/21 policy year. The following coverages and limits will be provided:

Coverage	Limits
Employee Theft	\$1,000,000
Forgery or Alterations	\$1,000,000
Theft	\$1,000,000
Robbery	\$1,000,000
Computer Fraud	\$1,000,000
Funds Transfer Fraud	\$1,000,000
Money Orders and Counterfeit Papers Currency	\$1,000,000

The premium for this coverage is included in the Property program. A \$1,000 deductible will apply to all losses. No further comments can be offered.

#### **GENERAL LIABILITY**

The 2021/22 program will have the same terms and conditions found in the 2020/21 program. A per occurrence limit of \$1,000,000 shall apply with the City being responsible for the first \$100,000 of each loss. The premium for this coverage is being increased from \$250,939 to \$284,620. This represents an increase of \$33,681 (13.4%) It is believed that this coverage adequately protects the City and the premium increase is comparable to other renewals I have assisted with.

#### **AUTO LIABILITY**

The 2021/22 program will have the same terms and conditions found in the 2020/21 program. A per occurrence limit of \$1,000,000 shall apply with the City being responsible for the first \$100,000 of each loss. The premium for this coverage is included in the General Liability coverage.

It is believed that this coverage adequately protects the City.

#### **PUBLIC OFFICIALS LIABILITY**

The 2021/22 program will have the same terms and conditions found in the 2020/21 program.

A per occurrence limit of \$1,000,000 shall apply with the City being responsible for the first \$100,000 of each loss. The premium for this coverage is included in the General Liability coverage.

It is believed that this coverage adequately protects the City.

#### **WORKERS' COMPENSATION AND EMPLOYERS LIABILITY**

The 2021/22 program will have the same terms and conditions found in the 2020/21 program. Statutory Workers' Compensation coverage will be provided with Employers Liability limits of \$2,000,000. A self-insured retention of \$325,000 will apply to each claim. The estimated premium will increase from \$239,088 to \$258,263. Part of this increase is a result the City's estimated payroll increasing from \$31,205,236 to \$33,708,107. This premium may change based on the City's actual payroll for the year. There is no indication that the City's Experience Modifier factored in the calculation of the premium.

It is believed that this coverage adequately protects the City.

**CYBER LIABILITY**

PRM is making several changes to 2021/22 program. The first change will be that the limits will change from \$10,000,000 that has to be shared with all members of program to \$5,000,000 for each member. It is uncertain if this is an enhancement or a reduction in the level of protection being purchased by the City. The other change PRM is making is raising the deductible from \$50,000 to \$75,000. This is obviously a reduction in the level of protection being purchased by the City. Coverage will continue to be provided by Great American Insurance Company with terms and conditions, other than those mentioned above comparable to the 2020/21 program. It could not be determined if the premium for this coverage is included in one of the other coverages or if a separate charge will be made. It is believed that the coverage will adequately protect the City.

**BOILER AND MACHINERY**

The 2021/22 program will have the same terms and conditions found in the 2020/21 program. A per accident limit of \$50 million shall apply. This limit must be shared with all of PRM's members. A deductible of \$1,000 for each claim shall apply except losses associated with transformers that are 10,000 KVA or greater. Such losses will be subject to a \$10,000 deductible. The premium for this coverage will increase from \$11,874 to \$18,351.

It is believed that this coverage adequately protects the City.

**EXCESS LIABILITY**

This coverage is not being purchased.

**POLLUTION AND REMEDIATION LEGAL LIABILITY**

This coverage is not being purchased.

**AIRPORT OWNERS AND OPERATIONS LIABILITY**

This coverage is not being purchased.

**PREFERRED MEMBER PARTICIPATION CREDIT**

PRM offers a premium credit to its preferred members. In the 2020/21 policy year the credit was \$7,367. PRM is increasing this credit to \$10,697 for the 2021/22 policy year.

**SUMMARY**

The following table displays the City's insurance coverages for the 10/1/21 to 10/1/22 policy term.

Coverage	Insurer	Limits	Deductible/Retention	Annual Premium	Comments
Property	PRM	\$238,684,063	\$25,000 except NFIP limits for flood and 5% for Named Windstorm	\$1,578,138	Sub-limits apply to various losses
Property Terrorism & Sabotage	Lloyds of London	\$25 million per occurrence and \$25 million annual aggregate	\$10,000	Could not be determined	
Active Shooter & Malicious Attacks	Lloyds of London	\$1 million per occurrence and \$1 million annual aggregate	\$10,000	Could not be determined	
Crime	PRM	\$1,000,000	\$1,000	Incl. in Property	
General Liability	PRM	\$1,000,000	\$100,000	\$284,620	
Auto Liability	PRM	\$1,000,000	\$100,000	Incl. in General Liability	
Public Officials Liability	PRM	\$1,000,000	\$100,000	Incl. in General Liability	
Workers' Compensation/Employers Liability	PRM	WC- Statutory EL - \$2,000,000	\$325,000	\$258,263	
Cyber Liability	Great American Insurance Co.	\$1,000,000	\$25,000	Incl.	
Boiler and Machinery	Travelers	\$50 million	\$1,000 except \$10,000 for transformers 10,000 KVA or greater	\$18,351	
Participation Credit				\$(10,697)	
Total				\$2,128,675.	

Subject to the comments made above it is believed that the City's Property and Casualty insurance program is well structured. The majority of the premium increase is due to the City's building values increasing significantly. Overall it is believed that since the City's building values have increased so much the premium increase is justified and comparable to other clients I have assisted with their renewals.

Cordially,

INTERISK CORPORATION



Sidney G. Webber  
CPCU, ARM