

# Interisk Corporation Risk Mgt. & Employee Benefits Consultants

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Laura Estevez  
Risk Manager/Safety Officer  
City of Key West  
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Laura:

Per your request I have reviewed Public Risk Management of Florida (PRM) proposal for the City's Property and Casualty Insurance program for the 2023/24 policy year as submitted by World Risk Management. It appears as if PRM is making several changes to their coverage forms. I will discuss these changes under each coverage section. I will then will conclude with a summary of the entire program.

## PROPERTY

The following facts were taken into consideration with the Property renewal.

1. The City's property values increased by 2.3%
2. PRM is reducing their Named Windstorm limits from \$100,000,000 to \$80,000,000.

Other than the reduction in the Named Windstorm limit, it appears as if the terms and conditions of the 2023/24 coverages will be comparable to those of the 2022/23 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.

PRM's program provides \$50 million of Builders Risk coverage. It is believed that the terms and conditions of the 2023/24 coverages will be comparable to the 2022/23 coverages. The premium for the City's Builders Risk coverage is included in the Property premium.

PRM's 2021/22 program provided \$250,000 of coverage for damages to the City's watercraft that are 27 feet or less feet on an unscheduled basis. It is believed that the terms and conditions of the 2023/24 coverages will be comparable to the 2022/23 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 this exclusion will have on the City.

PRM is offering two optional limits for the City's Named Windstorm coverage. The first option will provide limits of \$80 million. The second option will only provide limits of \$15 million. The City currently has limits of \$100,000,000 for Named Windstorm events. PRM is charging a premium of \$3,306,409 for the \$100 million option and \$2,705,244 for the \$15 million option. The \$15 million option would save the City \$601,165 in the Property premium. In either case the City's Property premiums are going to increase significantly. If the \$100 million option is selected the City's Property premiums will increase by \$1,348,510 (68.9%). If the \$15 million option is selected the City's Property premiums will increase by \$747,345 (38.2%). I have recently assisted several other clients with their Property renewals. Each of them experienced similar increases. These increases forced them to make difficult cuts in their programs. One totally dropped all of their Name Windstorm and Flood coverage. Unfortunately, there are fewer insurers offering Property insurance, particularly in areas prone for catastrophic losses. Those that do are significantly increasing the cost. I do not know if PRM will be able to alter their Property coverage and if any alterations would produce meaningful premium savings. It may be beneficial if you and I had a conference call with PRM to discuss possible changes in the Property coverage to see if they produce any significant savings.

PRM will be making some policy changes relating to how sub-limits will apply to some of their coverages. These changes are viewed as being for clarification and should not impact the City.

#### **PROPERTY TERRORISM & SABOTAGE**

It appears as if the terms and conditions of the City's Property Terrorism & Sabotage coverage will be the same for the 2023/24 program compared to the 2022/23 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 2023/24 program compared to the 2022/23 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.

#### **Equipment Breakdown**

The terms and conditions of the City's Equipment Breakdown coverage will have several changes:

- The current coverage provides Repair and/or Replacement coverage. The renewal program will only provide Actual Cash Value coverage on equipment older than 25 years. I do not know the age of the City's equipment so I am unable to offer an opinion on the impact this change will have on the City.
- PRM is reducing the limits for Contingent Business Interruption/Extra Expense from \$250,000 to \$100,000. I am unable to offer an opinion on the impact this change will have on the City.
- PRM is reducing the limits for Water Damage from Policy Limits to \$100,000. I am unable to offer an opinion on the impact this change will have on the City.

Other than the changes noted above, the 2023/24 program will have the same terms and conditions as the 2022/23 program. The premium will increase by \$4,786 (23.6%). This increase appears to be high, but reasonable.

**CRIME**

The terms and conditions of PRM’s Crime coverage will be the same for the 2023/24 policy year as it was for the 2022/23 policy year. The following coverages and limits will be provided:

<b>Coverage</b>	<b>Limits</b>
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**

PRM will be incorporating a \$100,000,000 aggregate limit for all PRM’s members. It is believed that this change will have a minimal impact on the City. They also are making some changes to Communicable Disease coverage. These changes are viewed as clarification changes and should have no impact on the City. These changes will also apply to the Auto Liability and Public Officials Liability.

Other than noted above, the 2023/24 program will have the same terms and conditions found in the 2022/23 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 \$313,765 to \$332,591. This represents an increase of \$18,826 (6%). This increase appears to be reasonable. It is believed this coverage adequately protects the City.

**AUTO LIABILITY**

The 2023/24 program will have the same terms and conditions found in the 2022/23 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 2023/24 program will have the same terms and conditions found in the 2022/23 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 2023/24 program will have the same terms and conditions found in the 2022/23 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 \$277,995. To \$294,674. This represents an increase of \$16,679 (6%). The projected payrolls of the City are also increasing by 6%. It is therefore believed that the majority, if not all, of the increase is due to the increase in the City's payroll.

It is believed that this coverage adequately protects the City.

**CYBER LIABILITY**

Coverage will continue to be provided by Great American Insurance Company with terms and conditions comparable to the 2022/23 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.

**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 2022/23 policy year the credit was \$38,550. PRM is increasing this credit to \$59,381 for the \$80 Million Named Windstorm option and \$50,364 for the \$15 Million

**SUMMARY**

The following 2 tables displays the City's insurance coverages for the 10/1/23 to 10/1/24 policy term. The first table assumes a Named Windstorm limit of \$80,000,000 and the second assumes a Named Windstorm limit of \$15,000,000.

<b>Named Windstorm Limits of \$80 Million</b>					
<b>Coverage</b>	<b>Insurer</b>	<b>Limits</b>	<b>Deductible/Retention</b>	<b>Annual Premium</b>	<b>Comments</b>
Property	PRM	\$250,475,792	\$25,000 except NFIP limits for flood and 5% for Named Windstorm	\$3,306,409	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	\$332,591	
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	\$294,674	
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	\$25,066	
Participation Credit				\$(59,381)	
Total				\$3,899,359	

Named Windstorm Limits of \$15 Million					
Coverage	Insurer	Limits	Deductible/Retention	Annual Premium	Comments
Property	PRM	\$250,475,792	\$25,000 except NFIP limits for flood and 5% for Named Windstorm	\$2,705,244	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	\$332,591	
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	\$294,674	
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	\$25,066	
Participation Credit				\$(50,364)	
Total				\$3,307,211	

This is going to be an extremely difficult renewal due to the Property premiums increasing so much. We can approach PRM to see if some coverage concessions can be made that will generate a lower premium. I truly don't think that any changes we make to the Property program will generate any significant premium savings. At least we can advise the City Commissioners that we explored options to mitigate the premium. Regardless of which Named Windstorm option you select your Property program has been compromised significantly.

Please let me know how you would like to proceed.

Cordially,

INTERISK CORPORATION

A handwritten signature in black ink, appearing to read "S G Webber". The signature is written in a cursive style with a long horizontal flourish at the end.

Sidney G. Webber  
CPCU, ARM