

# Executive Summary



**To:** Gregory W. Veliz, City Manager

**From:** Todd Stoughton, Risk Manager

**Date:** 9/3/2020

**RE:** Renewal of Property and Casualty Insurance Program for FY 2020-2021

---

## **Action:**

Pursuant to City of Key West Code of Ordinances, Section 2-797 (4) b, Exempt Contractual Services, respectfully request the City Commission to approve the placement of the City's property and casualty insurance program for policy year 2020-2021 proposed by Public Risk Management of Florida (PRM) as submitted by World Risk Management (WRM) in the amount up to \$1,465,968.00 as well as recognize WRM as the City's agent/broker for the City's property and casualty insurance program for policy year 2020-2021.

Further, request the City Commission approve the placement of the City's Ancillary Policies in the amount of \$93,052.00 to include; Westchester Fire Insurance for Aircraft (Drone) Coverage provided by WRM (\$3,043.00); Great American for Marine Operators Legal Liability Coverage (\$15,316.00), Outer Mole Excess Liability Coverage (\$10,450.00), Wharfingers Liability Coverage (\$14,269.00), Hull & Machinery Coverage (\$15,547.00), Vessel Pollution Coverage (\$6,025.00); ACE American Insurance Company (Chubb) for AD&D Coverage (\$7,550.00); Commerce & Industry for Storage Tank Liability (\$6,511.00); Indian Harbor Insurance Company for Pollution Liability (\$14,341.00); Authorizing acceptance of Public Risk Insurance Agency (PRIA) as the agent/broker for the City's Ancillary Policies with the exception of Drone Coverage (WRM); Authorizing the City Manager to execute all documents consistent therewith with the consent and advice of the City Attorney.

## **Background:**

On September 17th, 2019, the City Commission adopted Resolution No. 19-287 authorizing the acceptance of the renewal proposal for FY 2019-2020 from Public Risk Management of Florida (PRM) submitted by World Risk Management in the amount of \$1,258,508.00 and approved the acceptance of the City's Ancillary policies in the amount of \$80,654.00 from Public Risk Insurance Agency (PRIA), and World Risk Management. It has been established that the City of Key West insurance program is too small to obtain insurance through traditional open markets and similar to several public entities within the State of Florida, Pooled Insurance Programs are the best option for the City. Over the last five years the City has used several approaches to obtain the best rates; traditional Request for Proposals, contracting an Insurance Broker, and a Direct Solicitation

approach. Last year, the Direct Solicitation was sent to the three Pooled Insurance Programs within the State of Florida of which only Public Risk Management of Florida replied. In preparation of this year's renewal process, a discussion with the City's Insurance Consultants confirmed that both Florida Municipal Insurance Trust (FMIT), and Preferred Governmental Insurance Trust (PGIT), had little interest in the City's Insurance Program. Both consultants opined that neither FMIT, nor PGIT, would submit a proposal. It was also mentioned that shopping the program, even in a Direct Solicitation Request, would hurt the City's insurance program due to the thought that 'loyalty' equates to reduced, or steady rates. In Resolution 18-269, and Resolution 19-287, the City's consultants warned the City that continuing to shop our program on the open market would be detrimental to our rates, which was the determining factor in choosing the direct solicitation method for proposals. Due to this history, the recommendation of the City's insurance consultants, it is the opinion of the City Manager special circumstances exist to exempt this purchase from the competitive bid requirements for the best interest of the City. The City Manager recommends the City enter into an agreement with Public Risk Management of Florida to provide insurance coverage for the City's Property and Casualty Insurance Program. Furthermore, Public Risk Management offered a two-year rate guarantee for the City's Casualty Insurance in FY 2019-2020 that is being honored for this renewal.

**Financial Impact:**

If the City Commission approves the recommendation of Staff as submitted, then the City will carry comprehensive coverage for policy year 2020-2021. The proposed 2020-2021 budget contains sufficient funding for all coverages in the City's 502-1952 and 502-1953 accounts.

**Recommendation:**

Request the City Commission approve the placement of the City's property and casualty insurance program for policy year 2020-2021 proposed by Public Risk Management of Florida (PRM) in the amount up to \$1,465,968.00, as well as recognize World Risk Management (WRM) as the City's agent/broker for the City's property and casualty insurance program for policy year 2020-2021.

Further, staff recommends the City Commission approve the placement of ancillary policies totaling \$93,052.00 as proposed by World Risk Management and Public Risk Insurance Agency (PRIA) as well as recognize PRIA as the agent/broker for the City's ancillary policies, apart from Drone Coverage, for policy year 2020-2021. Authorizing the City Manager to execute all documents consistent therewith with the consent and advice of the City Attorney.