

# Executive Summary



**To:** Patti McLauchlin, City Manager

**From:** Laura Estevez, Risk Manager

A handwritten signature in blue ink, appearing to be "LE", is written over the name "Laura Estevez" in the "From:" line.

**Date:** 9/1/2021

**RE:** Renewal of Property and Casualty Insurance Program for FY 2021-2022

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## 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 2021-2022 proposed by Public Risk Management of Florida (PRM) as submitted by World Risk Management (WRM) in the amount up to \$2,125,675.00 as well as recognize WRM as the City's agent/broker for the City's property and casualty insurance program for policy year 2021-2022.

Further, request the City Commission approve the placement of the City's Ancillary Policies in the amount not to exceed (NTE) \$107,351.00. (*Public Risk Insurance Agency (PRIA) has not provided quotes as of today's date. Estimates are based on historical amounts*) City Ancillary Policies include; Westchester Fire Insurance for Aircraft (Drone) Coverage provided by WRM (\$3,351.00); Marine Operators Legal Liability Coverage (NTE \$17,000.00), Outer Mole Excess Liability Coverage (NTE \$12,000.00), Wharfingers Liability Coverage (NTE \$17,000.00), Hull and Machinery Coverage (NTE \$17,000.00), Vessel Pollution Coverage (NTE \$7,000.00); AD&D Coverage (NTE \$9,000.00); Storage Tank Liability (NTE \$8,000.00); Pollution Liability (NTE \$17,000.00); 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, 2020, the City Commission adopted Resolution No. 20-177 authorizing the acceptance of the renewal proposal for FY 2020-2021 from Public Risk Management of Florida (PRM) submitted by World Risk Management in the amount of \$1,465,968.00 and approved the acceptance of the City's Ancillary policies in the amount of \$93,052.00 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. This 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, the Assistant City Manager spoke with representatives from Florida Municipal Insurance Trust (FMIT), and Preferred Governmental Insurance Trust (PGIT), who both stated that they are prohibited from writing wind coverage for Public Entities in Monroe County. This presents two options; separate property insurance from Workers Comp and General Liability which is not in the best interest of the City due to the fact that by separating programs will increase overall costs. 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 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 another factor in choosing the direct solicitation method for proposals. Due to this history, the recommendation of the City's insurance consultants, and in the best interest to the City, I recommend 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.

**Financial Impact:**

If the City Commission approves the recommendation of Staff as submitted, then the City will carry comprehensive coverage for policy year 2021-2022. The proposed 2021-2022 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 2021-2022 proposed by Public Risk Management of Florida (PRM) in the amount up to \$2,125,675.00, 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 not to exceed \$107,351.00 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 2021-2022. Authorizing the City Manager to execute all documents consistent therewith with the consent and advice of the City Attorney.