

Interisk Corporation

Risk Mgt. & Employee Benefits Consultants

1101 Red Maple Circle N.E., St. Petersburg, Florida 33703-6318 ~ telephone: 813-287-1040

www.interisk.net

August 29, 2022

Laura Estevez
Risk Manager/Safety Officer
City of Key West
P.O. Box 1409
Key West, Florida 33041-1409

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 2022/23 policy year as submitted by World Risk Management. It appears as if PRM is not making any changes to their coverage forms. I will discuss each coverage line independently and then will conclude with a summary of the entire program.

PROPERTY

The City's Property Values increased minimally, increasing by 2.74%. However, PRM's premiums are increasing by 24.31%. This seems high to me. You may want to ask PRM why such a high increase.

It appears as if the terms and conditions of the 2022/23 coverages will be comparable to those of the 2021/22 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 \$5 million of Contingent Business Interruption Coverage. It is believed that the terms and conditions of the 2022/23 coverages will be comparable to the 2021/22 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 2022/23 coverages will be comparable to the 2021/22 coverages. The premium for the City's Builders Risk coverage is included in the Property premium.

PRM's 2021/22 program provided \$2,500,000 of coverage for damages to the City's watercraft that are 27 or less feet on an unscheduled basis. It is believed that the terms and conditions of the 2022/23 coverages will be comparable to the 2021/22 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 increasing from \$1,575,021 to \$1,957,899. This represents an increase of \$382,878 (24.31%). You may want to ask PRM why such a high increase. 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

It appears as if the terms and conditions of the City's Property Terrorism & Sabotage coverage will be the same for the 2022/23 program compared to the 2021/22 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 2022/23 program compared to the 2021/22 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 2022/23 policy year as it was for the 2021/22 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 2022/23 program will have the same terms and conditions found in the 2021/22 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 \$284,620 to \$313,765. This represents an increase of \$29,145 (10.24%). While it is believed that this coverage adequately protects the City, the premium increase is viewed as high compared to other renewals I have assisted clients on. You may want to ask PRM why such a high increase.

AUTO LIABILITY

The 2022/23 program will have the same terms and conditions found in the 2021/22 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 2022/23 program will have the same terms and conditions found in the 2021/22 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 2022/23 program will have the same terms and conditions found in the 2021/22 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 \$258,263 to \$277,995. This represents an increase of \$19,732 (7.64%). Part of this increase is a result the City's estimated payroll increasing from \$33,708,107 to \$35,056,431 (4%). 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. Workers' Compensation rates have been declining. Some of my other clients have experienced a reduction in their Workers' Compensation premiums despite their payrolls increasing. You may want to ask PRM why there is an increase.

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 2021/22 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 2022/23 program will have the same terms and conditions found in the 2021/22 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. It appears as if the premium for this coverage will increase from \$18,315 to \$20,280. This appears reasonable to me.

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 2021/22 policy year the credit was \$10,681. PRM is increasing this credit to \$38,549 for the 2022/23 policy year.

SUMMARY

The following table displays the City's insurance coverages for the 10/1/22 to 10/1/23 policy term.


Coverage	Insurer	Limits	Deductible/Retention	Annual Premium	Comments
Property	PRM	\$244,727,843	\$25,000 except NFIP limits for flood and 5% for Named Windstorm	\$1,957,899	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	\$313,765	
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	\$277,995	
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	\$20,280	
Participation Credit				\$(38,549)	
Total				\$2,531,380	

This represents an increase of \$405,705 (19.09%). As discussed above in the individual coverage sections, it is believed that some of the increases are high when compared to other recent renewals I have been involved with.

Please do not hesitate to contact me if you have any questions or concerns.

Cordially,

INTERISK CORPORATION

A handwritten signature in dark ink, appearing to read "S G Webber". The signature is fluid and cursive, with the first two letters of each name being capitalized and prominent.

Sidney G. Webber
CPCU, ARM