



## Key Largo Wastewater Treatment District – 10/1/2021 to 10/1/2022 Insurance Renewal

8/27/2021

We would like to thank General Manager Peter Rosasco and the District's Engineer Ed Castle for their valuable input and feedback on this renewal. Peter's staff has been very supportive with the renewal and we are extremely grateful.

The next paragraph will reflect much of the same as last year as the market conditions remain volatile and unchanged. The insurance market environment continues to harden for US property risks. The starting point for clean renewals (no losses, better than average construction, location, etc.) is +15% - 20%. Loss affected, CAT exposed property increases are anywhere from +25% - 50% dependent on the risk profile and the amount of capacity required from the market. The insurance industry is seeing its first "hard market" in 15 years as a result of "claims creep" from losses in 2017, which now exceed \$105B. This has resulted in higher cost of reinsurance paid by the retail insurance companies, which gets passed on to the consumer. As the pandemic continues to run its course, the loss impact on the market will be profound. In addition, the overall state of the U.S. economy, the resurgence of COVID-19 this summer, property damage from riots, and predictions of a higher than average number of hurricanes (with reduced time to prepare as a result of the pandemic) will continue to impact market conditions. A significant market shift is being seen in reinsurance treaty renewals. Florida June 1 property renewals saw an **average** increase in **excess of 25%**. (*Acknowledgement to AmWins Group, Inc. State of the Market" Quarterly Report 2020*)

The Districts property total insured values are \$24,521,704 which is a slight decrease from 2020's value of \$24,888,810. This decrease is a result of removing the builder's risk soft costs of \$389,031. Based on expiring terms and conditions (with a \$1.75M Named Storm sub-limit and \$5m all other perils sublimit) the renewal premium is \$126,454 as compared to the expiring premium of \$130,204. This represents a 2.8% decrease.

During our renewal discussion, GM Rosasco asked us to evaluate the possibility of increasing the named storm sub-limit from \$1,750,000 to \$2,000,000 due to the additional solar panels. Our broker has advised this is possible and the additional premium is approximately \$18,000.

This limit corresponds with the Catastrophe Model/AIR 250 Year PML (Probable Maximum Loss) of \$2,702,361. This suggests a prudent purchase of windstorm insurance using industry models that are widely accepted in financial markets.



The 10/1/21 renewal proposes:

1. Renewal of the PGIT General Liability, Auto Liability, Public Officials, Employment Practices Liability with a \$10,000 deductible for a combined annual premium of \$83,297 as compared to expiring of \$68,407. PGIT is not offering the 2-year rate guarantee this year due to market instability and volatility in reinsurance pricing. We anticipate that the guarantee will be offered again in the future when the market stabilizes and reinsurance pricing becomes more predictable. The renewal increases are a result of the following:
  - a. Payroll increase
  - b. Auto Value increase
  - c. PGIT rate increases
  - d. 5 year package loss ratio of 120%
2. All Risk Property and Inland Marine coverage with Everest Ins. Co. with a named storm sub-limit of \$1,750,000 and an all other peril sub-limit of \$5,000,000. All other perils deductible of \$100,000 and named storm deductible of \$1,200,000. Note that your total insured values are \$24,521,704. The combined annual premium for Property and Inland Marine with Everest is \$126,454 as compared to expiring of \$130,204. This represents a decrease in premium of \$3,750.
3. Renewal of the Workers' Compensation coverage with PGIT at an annual premium of \$37,286 as compared to expiring of \$31,666. The increase is the result of the District's experience modification factor increasing from 1.03 to 1.09 as well as the increase in payroll noted above in line item 1a.
4. Crime Coverage is year three of a three year policy with Travelers Insurance Company at an annual premium of \$1,038 which represents a flat renewal.
5. Boiler & Machinery Coverage with Travelers Insurance Company at an annual premium of \$8,895 which represents a \$1,319 increase over expiring. This is due to the total insured value increase, however we will return to the underwriter and ask them to lower the total insured value back to expiring.
6. Cyber Liability at a renewal premium of \$5,500 compared to expiring of \$3,900. The increase is a result of deteriorating loss experience due to increased claims frequency. The entire market is affected by this increase.
7. Fiduciary Liability coverage is being proposed to cover the Districts exposure from the KLWTD 457(b) Plan and group health plan, at an aggregate limit of \$1,000,000. The annual premium is \$2,811 for 13 months compared to expiring of \$2,611 for 12 months.
8. Agency Consulting Fee Agreement renewal with Brown & Brown will remain unchanged at \$21,500.

Sincerely,

*Tom Jones*

Thomas R. Jones, Jr.

Executive Vice President, T.R. Jones & Co. dba Brown & Brown Miami Dade