

## **5. New Business**

- **Motion to Approve Property Insurance Quote**

Mr. Hine provided a brief introduction on the history of the City's property insurance policy and some of the challenges the City was facing with this year's policy renewal due to market conditions. He then advised that Mr. Dawson and his staff would now provide more details.

Mr. Dawson advised that Molly Grande would provide a review of the current property insurance market. Ms. Grande advised that rate increases in 2023 for the Florida public sector ranged from 32% to 60% for central and north Florida, and from 60% to 100% for south and southwest Florida. She further explained that total catastrophic losses in the U.S. have exceed \$100 billion for the last three years, which has stalled any softening rates by property insurance carriers.

Ms. Grande explained that for 2024 they anticipate rate increases ranging from 10% to 25% in Florida with higher rate hikes for any risks with significant property losses. Also, for 2024 they expect that reinsurance availability for catastrophic losses will remain flat, thus providing some stabilization for the global property market. Carriers will continue to adjust their portfolios to reduce exposure and increase profits, while underwriters are still requiring adjustments to insured values to align with the elevated costs for repairs and rebuilding of structures.

Mr. Dawson advised that losses from Hurricane Ian are expected to be \$50 to \$65 billion making it the second costliest event after Hurricane Katrina that resulted in a 37% average reinsurance rate increase for 2023. He advised that prior to Hurricane Ian the property markets were already being impacted by increased building costs, supply chain issues, inflation, and the war in Ukraine.

Mr. Dawson further explained that as indicated by Mr. Hine the City is facing challenges for the 2024 renewal. For the 2023 policy renewal, the overall premium increase was 19%, which was achieved by reducing the named windstorm limit for the non-utility program to \$25 million and the utility program to \$15 million. In addition, the April 2023 flood loss to City Hall and City other properties resulted in over \$12 million of insured property damage and extra expense. However, they have found ways to mitigate changes by the carriers to the coverage terms while still securing a reasonable not-to-exceed (NTE) premium quote.

Mr. Dawson advised that after aggressive negotiations with the City's incumbent property insurance carriers the NTE premium quote for 2024 resulted in a 34% increase at the quoted overall premium of \$3,950,765. The premium increase was a combination of a 27% increase to the non-utility program rate, a 10% increase to the utility program rate, and a 16% increase to the total insured values on the non-utility program, which were revised to reflect the current elevated costs for repairs and rebuilding of structures.

The 2024 property policy quote maintains the total insured limits of \$25 million for the non-utility program and \$15 million for the utility program. In addition, the deductible is

unchanged at \$5 million for named windstorm and hail on the non-utility policy, and 7.5% of the total insured values, with a minimum of \$5 million, for named windstorm on the utility policy. However, the all other perils deductible increased to \$100,000 from \$50,000 on the non-utility policy, while remaining unchanged at \$5 million for all other perils on the utility policy. The total insured values (TIV) on the non-utility policy increased to \$296,633,772 from \$255,347,113 in 2023, and the utility program TIV remained unchanged at \$296,019,142.

Mr. Dawson further advised that they were exploring all options for securing a final premium less than the \$3,950,765 NTE premium quote for the City's policy renewal on February 1, 2024, and would continue negotiating with the carriers to secure the best premium. Some carriers have expressed an interest in increasing their availability in the non-utility program but were not willing to provide guaranteed quotes until after their reinsurance contract renewals on January 1, 2024.

Discussion among the Board followed on the property insurance premium quote, complexity of this year's policy renewal, and updated deductible limits, coverage terms, and pricing. Several Board members asked general questions about the renewal that were answered by either Mr. Hine, Mr. Dawson, or Ms. Grande.

Chair Schwartz inquired about the methodology behind the adjustment to the TIV on the non-utility policy, which was explained in more detail by Mr. Dawson. After which, Chair Schwartz advised that he had seen similar values used for other property appraisals on the proposed replacement cost per square foot. He also asked about the \$12 million flood loss, which Mr. Hine provided a response.

Vice Chair Piechura asked when the City would be completing the updated appraisal for the property policy's TIV. Mr. Hine advised that it was expected to occur in early 2024 and the solicitation was currently with the City's Procurement Division. Ms. Grande also explained that the adjusted TIV before the appraisal reflects a 16% increase after removal of the City Hall and Police Headquarter buildings from the schedule.

Mr. Hess commented that a 34% increase and NTE premium quote of \$3,950,765 was not too bad considering the overall state of the property insurance market in Florida, which was echoed by other members of the Board. Mr. Dawson commented that this was due to maintaining a healthy relationship with the City's incumbent carriers. This contributed to minimal changes in the coverage terms and all other perils deductible increase to \$100,000 on the non-utility program.

After discussion concluded, Chair Schwartz asked if there was a motion to approve the property insurance quote.

Motion by Mr. Perrillo, seconded by Vice Chair Piechura, to approve the City's property insurance policy quote from multiple carriers on a layered program at the NTE premium of \$3,950,765. In a voice vote, the **motion passed with four votes in favor and Chair Schwartz abstaining.**