



UNCOMMONLY INDEPENDENT

April 14th, 2023

The Honorable Peter J. Iglesias, P.E.
City-Manager

City of Coral Gables
405 Biltmore Way
Coral Gables, Florida 33134

Re: Biltmore Hotel

Dear Mr. Iglesias:

Lockton is the insurance broker that represents the Biltmore Hotel.

In the most recent two (2) years the property insurance program that has been put in place met the revised insurance requirements set forth in the lease between the City of Coral Gables and the Biltmore Hotel.

As you are no doubt aware, during the last twelve (12) months the landscape of the property insurance marketplace has changed dramatically for all parties – most notably those based in Florida. Insurance companies have underperformed financially, but more consequentially the reinsurance market has responded at the most recent January-1st renewal date (and similarly for those with 4/1 renewal dates) in a seismic fashion. This action by the reinsurance market has led to material increases in the cost of every insurance offering, but perhaps more importantly it has also resulted in a material reduction in the availability of insurance capacity for critical catastrophe perils; most relevant in this situation being Named Windstorm (Hurricane). As a result of these two forces in our industry, constriction of capacity and material increase in pricing, buyers of insurance are unable to purchase the same limits of insurance (at their 2023 policy renewal) that they have historically purchased. To the extent capacity options are available, the premiums being charged for insurance are at levels not in any way commercially reasonable.

For the Biltmore property at its renewal date of March 27th, 2023, there was not sufficient offered insurance capacity to be able to complete a program to the one-hundred million (\$100,000,000) dollars limit. In order to mitigate the adverse impact, it was necessary not only to purchase at the fifty-million (\$50,000,000) dollars limit but also to co-participate in the program for a twenty (20) percent share of said amount, which is in addition to the underlying five (5) percent deductible. Note that in respect to all other perils, including the fire limit, this has been maintained at the one-hundred million (\$100,000,000) dollars level. To buy all that was offered to/for/at the one-hundred million (\$100,000,000) dollars limit, which would have resulted in two-point-two seven-five million (\$2,275,000) dollars of self-insurance excess of the aforesaid fifty-million (\$50,000,000) dollars limit, and resulted in an increase in cost of one-hundred & forty-six (146) percent.

We referred to the same modeling analysis that has been used historically, albeit with updated values for the current renewal period, and felt it remains a sufficient limit to guard against the 1/1000 year return period, or put differently a 0.1% chance of exceeding \$46.4M (see next exhibit).

U.S. Hurricane (Named Storm) Key Return Period Losses - Wind and Storm Surge including Loss Amplification

Critical Probability	Return Period (years)	Ground Up Loss	Deductible Loss	Loss Net of Deductible and Layering
0.010%	10,000	142,222,938	3,955,979	141,915,382
0.020%	5,000	109,216,483	3,881,896	108,032,692
0.100%	1,000	49,104,256	3,354,164	46,432,046
0.200%	500	30,715,047	2,844,131	27,888,878
0.400%	250	17,361,782	2,513,276	14,578,457
1.000%	100	6,312,450	1,609,391	4,097,057
2.000%	50	1,993,032	1,343,416	732,764
4.000%	25	266,122	325,752	16,701
10.000%	10	129	187	2
20.000%	5	3	0	1
Average Annual Loss		292,375	58,943	233,432
Standard Deviation		3,626,068	317,069	3,468,962

**Note: loss amounts stated above use the RMS Stochastic Event Rate Set

In conclusion and again as you are likely aware, the Biltmore is not unique in experiencing this market response to Named Windstorm coverage availability; in that we have various other clients whose ability to purchase limits to expiring levels, at commercially reasonable prices, has been impossible to achieve in this current insurance market cycle. The remainder of 2023 is anticipated to continue to deteriorate and renewals that fall between now and July 1st are likely to experience even more distressing outcomes. In fact, in many situations for our clients that operate in the residential space that are having to navigate the process of applying to Citizens insurance for the capacity that the commercial insurance market is unable to provide. Unfortunately, Citizens' ability to provide capacity for commercial ventures is extremely limited and would not offer any material opportunity to improve the outcome for the Biltmore.

Once the market improves and new or additional risk-capital enters the insurance industry, we are hopeful that future renewals will offer the opportunity to purchase additional limits with the goal of being able to return to the levels previously experienced.

Thank you for the opportunity to provide this summary, and please let me know if you have any questions.

Thank you,

Fred Zutel

President, Florida P&C



LOCKTON COMPANIES
1200 SW 145th Avenue, Suite 140A, Pembroke Pines, FL 33027

954.883.2000
lockton.com