

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Thursday, March 23, 2006 – 8:00 a.m.

Board Members	Meeting Attendance	1/06 - 12/06 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	A	2	1
Mark Schwartz, Vice Chair	P	3	0
Randy Swensen	A	2	1
Ted Hess	P	3	0
Christopher Pretera	P	3	0
Roger Bond	P	3	0
Joe Piechura Sr.	P	3	0

Staff and Guests

Daniel Jilek, Risk Manager
Marilyn Mullen, Employee Benefits Coordinator
Dave Fortune, Fortune Consulting
Layva Vassor, Recording Clerk

1. Roll Call

The meeting was called to order by Vice Chair Schwartz at 8:05 a.m.

2. Approve Minutes of February 16, 2006

Motion to approve the minutes of the February 16, 2006 meeting made by Mr. Piechura, seconded by Mr. Bond. In a voice vote, the motion passed unanimously.

3. Status of State Submittal

Mr. Daniel Jilek, Risk Manager, stated that State Submittal had asked them to reconfigure the loss-run histories for a different calendar date and he had not heard anything back yet. He explained that this was an excess coverage program for liability and workers compensation and would not affect their discussions today.

4. Review of Monthly WC Loss Run

Mr. Jilek reported that the profile was very routine for the moment. He noted that all of their self-insurance profiles were doing well. He agreed to include a month-to-month trend in next month's report. Mr. Jilek explained that overall, they were having a good year so far.

5. Report on Health/Benefit Program

Ms. Mullen reported that they had met with the City Commission regarding the volunteer benefit program for this year. The Commission's recommendation was to extend the voluntary benefit contract to the end of the year and RFP it through the rest of this year.

Mr. Schwartz assured the Board that he had spoken with Commissioner Hutchinson, who confirmed that the Commission was aware of the Insurance Advisory Board's wishes on some items, but it was the Commission's decision to do the RFP.

6. Renewal Efforts on Blanket Crime Insurance

Mr. Jilek stated their existing premium with AIG was \$13,532. Mr. Jilek recommended they go with Travelers for \$8,645.

Motion to approve the Travelers premium for \$8,645 was made by Mr. Bond and seconded by Mr. Schwartz. In a voice vote, the motion passed unanimously.

7. Renewal Efforts on Property Insurance

[This item was taken out of order]

Mr. Jilek stated that they had been able to get their proposal to the top of the consideration list and had "slid in just under the wire" on renewal rates. They now had the best rate on the street, but the premium had still increased dramatically. Mr. Jilek explained the changes in the terms of coverage: last year, there was a 4% wind deductible; 9 named locations with specific deductibles, with a minimum deductible of \$100,000. This year, there was an aggregate deductible of \$15 million per named storm.

Mr. Jilek explained that they had estimated \$80 million in damage in the City last year, most of which was trees and non-covered items. He felt they would be lucky to recover \$2 - \$2.5 million from insurance after deductibles and exclusions.

Mr. Jilek stated that in the past, they had relied on FEMA for excess coverage, but the latest decision by FEMA was that self-insured entities did not qualify for federal assistance. Mr. Jilek explained that the rate had gone from 30.2 cents per 100 to 64.9 cents per 100. All of the layered programs had reached 80 cents to \$1. He felt they might see unavailability within three to four months because of capacity problems.

Mr. Jilek added that their values had gone up as well. Southside School had added \$3 million. Mr. Jilek reported that the new buzzword on the street was "exclusion of surcharge costs," meaning that some insurers would pay based on costs at the time of the loss, even if materials and services were currently priced much higher.

Mr. Jilek stated that the City's total exposure was \$311 million and FM's total capacity was approximately \$300 million. The 2005 premium had been \$865,000; the new premium was \$2,021,097 and perhaps a Citizens surcharge of \$131,371 would be added. Mr. Jilek hoped that the quote was out prior to the surcharge, but reminded the Board that his request for

permission to bind would include an understanding that there might be a surcharge assessment. Mr. Jilek said that FM contended that since they had not yet received a formal letter stating that an assessment must be added, it had not been included in the proposal. Consequently, FM would absorb the difference.

Mr. Jilek explained that last year's deductible had been 4% per building, with the nine major buildings having individual, higher deductibles. Mr. Prester determined that if they had \$80 million in losses, that was \$3.2 million at 4%, so the deductible had increased dramatically and the rate had doubled.

Mr. Jilek confirmed that until this past year, FM had incurred only \$110,000 in losses with the City. Mr. Schwartz felt that since the account had been very profitable for the carrier, the new rate was opportunistic. He wondered why the rate couldn't be 45 cents. Mr. Jilek said the problem was that everyone else was priced at 80 cents right now. Mr. Jilek admitted he was "not crazy" about the rate, but it was still better than anywhere else.

Mr. Schwartz asked if the Board felt there were any other options. Mr. Piechura felt there were none. Mr. Jilek asked if the Board wanted to add terrorism coverage for an additional \$39,000. Mr. Fortune did not recommend this, as it was so hard to prove, but noted that an additional \$40,000 was fairly insignificant when they were already spending \$2 million.

Mr. Jilek confirmed that there was a \$40 million wind limit with a \$15 million deductible. He had asked FM if they would consider breaking out named wind and flood, and FM said they sold only all-risk policies.

Motion to approve the premium of \$2,021,097 plus taxes, plus the Citizens surcharge, estimated to be \$131,371.31, and both forms of terrorism coverage was made by Mr. Piechura and seconded by Mr. Bond. In a voice vote, the motion passed unanimously.

8. Announcement of New Finance Director

Mr. Jilek announced that the new finance Director, Betty Burrell, would start on April 1. He agreed to introduce Ms. Burrell to the Board in the future.

9. Schedule April 2006 meeting

The next meeting was scheduled for April 20th at 8 a.m. in the 8th floor conference room.

With no further business to come before the Board, the meeting was adjourned at 8:45am