

INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, February 6, 2008– 8:00 a.m.

Board Members	Meeting Attendance	1/08 – 12/08 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	2	0
Mark Schwartz, Vice Chair	P	2	0
Randy Swensen	P	1	1
Ted Hess	P	2	0
Christopher Prestera	A	1	1
Roger Bond	P	2	0
Joe Piechura, Sr.	P	2	0

Staff and Guest

Guy Hine, Risk Manager

Roll Call

The meeting was called to order by Chair Joseph Cobo at approximately 8:01 a.m.

Approval of Minutes – January 9, 2008

It was stated that in the minutes under FM Global Update we should include the specifics of the topic, such as, “FM Global/Hurricane Wilma Update.”

Motion made by Mr. Swenson and seconded by Mr. Bond to approve the minutes of the January 9, 2008 Board Meeting as amended. Motion passed unanimously.

Unfinished Business

FM Global/Hurricane Wilma Update

Guy Hine, Risk Manager, stated that he wanted to thank Joe Piechura and Mark Schwartz for their appearance at the Commission meeting on February 5th in regard to the Resolution to negotiate the City’s property insurance. They were supporting this method due to the expertise needed for this type of insurance purchase. Apparently a Resolution had never been used in that regard and their support was appreciated. The Commission passed the resolution.

Mr. Hine stated that, in the back-up materials, he included some information as to what PBS&J was providing the City that would ultimately be presented to FM Global for resolution of the Hurricane Wilma property claim. He also stated that there were some damages that would not be compensated. For example, the International Swimming

Hall of Fame had a \$500,000 retention and there was only about \$373,000 in damages so the City would not collect anything on that loss. He stated that the Police Station had a \$1.8 Million deductible and the downtown garage was a \$1 Million deductible. Some of the repairs have been made already, such as the roof on the Swimming Hall of Fame.

Renewal of the Crime Policy

Mr. Hine stated that he was very pleased with the quotes the City received regarding the Crime Policy. A bid was put out for a three-year package and Rutherford came back with St. Paul Travelers in an amount of \$7,516 per year. That same policy last year was \$8,688. He added that they also had two years at everyone's option, potentially making it a 5-year plan. He proceeded to explain the results from the Bid, including the other submission.

There was discussion about Rutherford's role now that the City was going back out to bid on all of its insurances. In response to Mr. Schwartz's question, Mr. Hine stated that the City had been with Rutherford for 2 years as of December (2007). Mr. Schwartz asked if in December (2008) they would put out another RFP for broker services. Mr. Hine confirmed that it was very possible. Mr. Schwartz added that he believed they would need to do so. It was asked what was the fee for the two years. Mr. Hine advised that it was \$60,000 per year.

Mr. Schwartz stated that by doing the RFP again they would be showing the City that they were using the bid process for services and sometimes in regard to policies.

Motion made by Roger Bond and seconded by Mark Schwartz to approve the item as presented. Board unanimously approved.

Purchase of Insurance – Parameters

Mr. Hine stated that at the last meeting he was asked to do some further research regarding this matter, and as a result, he contacted 14 local coastal entities. He advised that only 3 out of 14, Aventura, Pompano Beach and Boynton Beach, all smaller cities, went through an RFP process, and everyone else pretty much went through a broker of record. The City of Boca Raton purchases anything below \$50,000 through a broker of record, and over that amount they use an RFP process, except property, which is purchased through a broker.

Mr. Hine advised that the representative at Rutherford is concerned about the property policy because they believe it should go through the broker due to the intricacies involved in a coastal property program. They were also concerned about the Bid process for the Workers' Compensation policy. The next policy due to expire is the Airport Policy. In the past, the City had been able to negotiate a three-year contract. At the March meeting, he would present the Board with information regarding that policy. He feels that they might be able to obtain a three-year policy, similar to the Crime policy.

Mr. Hine asked if the Board felt it would be in the best interest of the City to explore making changes to the Ordinance, due to the nature of purchasing insurance and because it was in direct conflict with what the Board had recommended two years ago, which was to do a broker of record.

Joseph Cobo and Ted Hess both agreed that things appeared to be working well with Rutherford "running the show."

Mr. Hine advised that they had one property claim in the past seven years, Hurricane Wilma.

Mr. Schwartz stated that one of the reasons many carriers had stopped doing the three-year contract was because there was nothing contractual that the client had to purchase it the second and third year and it was just an offer from the carrier. Therefore, it was slightly one-sided because if the client did not opt to renew the second and third year, there was nothing that said they could not go to market. The carrier would be locked into the premiums. He further stated that he did not see any disadvantage to this.

Mr. Hine stated there was one claim in connection with the Airport Policy and there was a 50/50 chance that they would pay on that, but it was not a lot of money. He stated they had been paying anywhere from \$20,000 to \$28,000 over the past five years. However, the Employment Practices policy, as an example, that would be discussed in November, generates more claims. He asked if the Board felt as though the City would be able to get a three-year contract on that type of policy.

It was stated that they would probably not be able to get a three-year contract for such a policy.

Mr. Hine stated that according to the Ordinance, they would have to put out an RFP for that and by going out every year, it would appear that the City was just shopping for price.

It was asked if they would have support in recommending changes to the Ordinance, and how involved would that process be.

Mr. Hine stated that he did not know if they had any support on changing the Ordinance. He added that Ms. Burrell had tried to make a change but it was a drastic one and did not get support. Mr. Hine stated further that he believed they might run into some resistance due to potential misunderstanding about the purchase of insurance.

It was asked what the premium was on EPLI. Mr. Hine stated it was \$172,000 annually. It was asked if the existing carrier was willing to renew and what terms were being offered. Mr. Hine stated that it had stayed the same as the year before and it was with Zurich, which would be coming up on 11/1/08. It was asked what type of activity there was and was it due to frequency or severity. Mr. Hine stated that he was not sure, but there was some frequency. He added that from two years ago it went from \$207,000 to \$172,000. The retention level was \$300,000 with a \$3 Million limit.

It was stated they would need to show the activity for the last 3-4 years, the number of claims, and what level they were at.

Mr. Schwartz stated that he did not feel they needed to look at that policy at this time since they had just renewed it.

Mr. Hine asked the Board what they wanted to do for the greater picture regarding the overall purchase of insurance.

It was asked what they were looking for and was it a 3-year contract rather than a one-year, where possible.

Mr. Hine stated that if they could get a three-year contract with an option to renew for two years, then some of the concerns regarding the RFP process would become academic.

Mr. Piechura expressed that he still has concerns with the current process, particularly on the smaller policies, and that we should consider a change in the Ordinance.

Mr. Bond asked if in regard to the Ordinance could they go back to the City and say they over-shopped it and it was now to their detriment. Therefore, could they move it from a one-year RFP to a three-year RFP.

It was stated that was not the issue; the issue being the broker.

Mr. Bond asked what type of barriers would they be running into regarding the Commission.

It was stated that they would have to explain the importance of Rutherford. Mr. Hine stated they would have to explain the importance of any broker in general.

Mr. Schwartz stated that in most cases they would probably recommend every other year or every two years. In some cases where there is a softer market and they would not be able to get a three-year policy, there were other carriers but not all were created equal. He stated there would not be a "knee-jerk" reaction regarding some as for others. He was not sure they would be able to make a blanket statement, except to say they would like to get the three-year options when possible.

It was stated that the City could state in the RFP in some manner that they were seeking a relationship. Therefore the underwriter could help them put in the safeguards needed to make it work over three years. It was stated that they could see them doing this, but could not see them committing to a premium for the second and third years.

The question was should they set in motion action to modify the ordinance. It was stated that they needed to meet with the Commissioners and educate them on this matter. It was asked if the Commissioners could attend one of this Board's meetings.

Mr. Schwartz stated that it might not be conducive to bring in all the Commissioners at one time.

It was suggested that the Commissioners be told that over the next 3-4 months they would be invited to a Board meeting. A schedule of the meetings would be provided, and each Commissioner was to advise which meeting they could attend.

Mr. Schwartz stated that a list of the policies with their current premiums would have to be provided. They would have to point out what the annualized cost to the City would be using the old program, versus the amount Rutherford was being paid, along with their claim duties. When you purchase insurance policies on an individual basis through individual brokers, you receive service on that specific policy. There are no other

services that are provided. It was suggested that such information be included with the minutes when they were sent out.

Mr. Hine stated that the last property policy was about \$2.4 Million and that the premium would be less this year with better coverage. The crime policy was a small amount but the bid process was very easy.

Mr. Schwartz asked when the FM Policy was up for renewal. Mr. Hine stated that the current policy would expire on 4/1/08. Mr. Schwartz continued stating that they should be getting a pretty good indication now as to what the reduction would be. Mr. Hine stated that he was in touch with their representative who stated they had been in touch with other carriers, and she was receiving some decent figures. Mr. Schwartz suggested that they receive a list of the carriers the representative had contacted. Mr. Hine stated that such list would be provided to the Board before the next meeting.

It was stated they received a lower price, but they needed to work on getting lower terms.

Mr. Schwartz stated that in today's market, they should be able to raise the wind sub-limit because he believed it was about \$15 Million or \$20 Million. He remarked those had gone up with little or no effect on premium.

Mr. Hine stated that so far in the negotiation process it appeared as though the deductibles would be coming down, along with the premium amount.

Air & Sea Show

It was asked if that was dead or was someone coming in. Mr. Hine stated that the show was not going to be held this year.

Schedule Next Meeting

The next meeting would be scheduled for March 5, 2008 at 8:00 a.m.

Motion was made to adjourn the meeting and seconded. Board unanimously approved.

There being no other business to come before the Board, the meeting was adjourned at approximately 8:40 a.m.

Respectfully submitted,

Margaret A. Muhl