

INSURANCE ADVISORY BOARD MINUTES

City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Thursday, April 10, 2008– 8:00 a.m.

Board Members	Meeting Attendance	1/08 – 12/08 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	A	3	1
Mark Schwartz, Vice Chair	P	4	0
Randy Swenson	P	3	1
Ted Hess	P	4	0
Christopher Pretera	P	2	2
Roger Bond	P	4	0
Joe Piechura, Sr.	P	4	0

Staff and Guest

Paul Bangel, City Attorney's Office
Stephen Scott, Assistant City Manager
Kirk Buffington, Director of Procurement Services
Mike Walker, Procurement & Contracts Manager
Guy Hine, Risk Manager

Roll Call

The meeting was called to order by Vice Chair Mark Schwartz at approximately 8:03 a.m.

Approval of Minutes – March 5, 2008

Motion made by Mr. Pretera and seconded by Joe Piechura to approve the minutes of the March 5, 2008 Board Meeting. Motion passed unanimously.

Unfinished Business

Procedure for the Purchase of Insurance

Mr. Hine stated that he believed everyone was familiar with how this works, but there were a few challenges. One challenge was that they had been able to purchase insurance with a three-year contract, but they are no longer able to do that. The reason was that the re-insurers would not go past a year. He further stated that Ordinance 2-199 required them to go out competitively unless they use the negotiation method. The challenge with that was that if they go out yearly for the policies, they would deplete their markets.

Mr. Bond stated that the market was very restricted at this time, and therefore, there were few carriers willing to step up and assume large liabilities. If there is more than one broker in the marketplace at a time, they run into each other and underwriters have the attitude that if the City puts this out to several people, they did not want to play. It appears that the best deals are made when a broker is informed that they would be used solely or possibly with one other.

Mr. Piechura stated that there was a limited marketplace and they should only deal with one or two underwriters.

Vice Chair Schwartz stated that one of the reasons they moved towards broker selection was because they wanted to take the commission portion (fees) out of the selection and do it on a flat fee.

Mr. Buffington stated that would be accomplished through negotiation.

Mr. Hine confirmed, but stated that part of his concern was that they had to obtain a resolution for every type of insurance. Mr. Buffington confirmed.

Vice Chair Schwartz further stated that their business was archaic but unique, and carriers only quoted at one time to a broker first submitting or was designated by the carrier.

Mr. Buffington stated that was not so unique and he had a similar problem with Panasonic Laptops because they give their lowest quote one time to the reseller that gets to them first. This does not generally work to the positive because the end user was the one knowing who had the need for laptops, and therefore, talked to the reseller before anyone knows about it. Therefore, even attempting to use a competitive process would be spinning their wheels.

Stephen Scott, Assistant City Manager, entered the meeting at approximately 8:12 a.m.

It was asked if there was an issue regarding property insurance because they did not want to start the process over again, and therefore, would it be favorable to have the ability to go back to the same person next year and negotiate a contract.

Vice Chair Mark Schwartz stated that they would likely go through the competitive process, but through the designated broker who would control the process.

It was asked if the City should always have a broker-record contract. It was stated that was the procedure at this time because at some juncture the market would become more competitive. In addition to the price improvements, they were also able to obtain deductible improvements, along with maximum coverage improvements. The issue was not always just price.

Vice Chair Schwartz stated that in this case there was lower wind deductible for the City and more wind capacity in millions of dollars, than what the incumbent had offered.

It was asked if it would be in the City's best interest to use the broker for all types of insurance for the City. Vice Chair Schwartz stated that was what they were doing at this time.

Mr. Buffington stated that was what they were doing.

It was stated that one broker could approach various markets, and they would still be able to have competitive indications.

Mr. Hine added that they had four different quotes in connection with Airport liability insurance, and ten other markets had been approached that they were not able to obtain prices from. There had only been two brokers bidding on the last item (property policy). He stated that nine different markets were tied up in the property insurance policy.

Mr. Buffington stated that the challenge with such a particular arrangement was that the ordinance did not allow for a broker of record. Rutherford has a contract with the City as an agent, but to allow them to be used as a broker of record would not be appropriate, and therefore, that was why they had to use the negotiation process for the property insurance. The underlying ordinance for procurement of insurance was written about 30 years ago, but the Commission could amend it. He proceeded to explain the process.

It was stated that if they knew how long it would take for the market to get more competitive, they would be able to propose a change to the ordinance that would sunset after a certain period of time.

Mr. Piechura stated that if there was not a storm this year, the market would be looser next January. All national publications were stating that the cost of re-insurance would be lower. Re-insurance dictates the cost of primary insurance. He reiterated that insurance was a matter of supply and demand.

Mr. Scott asked if the issue or recommendation of this Board was that they believed a broker of record should be the method used to purchase insurance.

Vice Chair Schwartz confirmed.

Mr. Hine explained that through the bid process the broker of record was not in compliance with the existing ordinance.

Mr. Buffington added that under the resolution, the City Manager delegates the use of the broker of record.

Mr. Scott stated that a caveat regarding the negotiation process was that it required a resolution for each purchase of insurance. He asked if they had done that in connection with the property insurance.

Mr. Buffington advised that was the first time that had been done.

Vice Chair Schwartz stated that for long term, they did not want to have Mr. Hine asking for a resolution every time there was a purchase of insurance.

Mr. Hine advised that it was a cumbersome process because there were actually two resolutions for each purchase. Mr. Scott stated that this had been done, but it was a stretch under the ordinance.

It was asked if they could just do it on a dollar amount. It was added that it could be done with an increase of a certain amount of percentage.

Mr. Buffington explained that under the ordinance regarding the purchase of goods and services the current bidding threshold for the City Manager was \$25,000.

Mr. Scott advised that the current broker of record's contract expires in October and could be renewed automatically if they so desired. He did not feel they should have a contract that could be renewed every year. He further stated that they could do a two-year contract with one-year renewals.

Motion made by Mr. Bond that a broker of record RFP be done on a three-year basis, along with a change to the ordinance allowing for the broker to act as a broker of record.

It was asked what other factors, besides the broker's fee, would be competitive. Vice Chair Schwartz explained that they reviewed backgrounds, other cities, client references, and claims assistance. It was stated that subjective criteria was involved.

Paul Bangel stated that they might find a broker with a low fee, but still end up with higher premiums, and therefore, how could that be controlled.

Mr. Hine explained that money had been saved in the recent years, but he was not sure it could be controlled.

Vice Chair Schwartz stated that if the broker brings forth various options from different carriers, they should not be able to manipulate the cost of each insurer, which was taken on a net basis. Motivation would not be to charge a higher rate, but to improve the terms so their contract would be renewed on a fee basis. Mr. Bond remarked that this Board was in touch with the market on a daily basis.

Mr. Hine stated they would still have to bring back to the Commission a \$25,000 policy for approval. Mr. Buffington confirmed and explained that they would work in conjunction with the City Attorney's Office.

Seconded by Joe Piechura. Board unanimously approved.

FM Global Hurricane Wilma

Mr. Hine stated the spreadsheet distributed documented the damages incurred less the deductible. He also advised that the City had not yet been paid. A breakdown was also provided regarding professional fees. He advised that a meeting would be scheduled with FM Global.

The Board unanimously agreed with what was presented.

Airport Liability Insurance

Mr. Hine stated that they were pleased with the results and the premium figure was decided based upon the City's contracts with their fixed-based operators, and their liability assumes most of what could happen. He explained that Jennifer was not able to provide a quote that was competitive with what was received because she had not

approached all the markets, which would have put the City in a situation of blocking all markets. He added that last year's premium was over \$25,000. He added that this contract would be effective in September.

Mr. Walker stated that he wanted to put out this bid next week, but the Commission was on break in August, and therefore, he hoped this could be addressed before that time.

Mr. Prestera asked about the actuaries. Mr. Hine stated that it was Auto GL, Police Professional, and Employment Practices, along with Workers' Compensation. He added that liability claims are handled in-house. Mr. Walker explained that they could manipulate the schedule.

Discussion was held regarding the scheduling of the June meeting. There was also discussion regarding the evaluation process used in the past. It was stated that previously it appeared to be driven by price. Price was normally kept to 15% to 20%.

Mr. Hine asked if the evaluation could be conducted on Monday, June 2, 2008. Mr. Walker confirmed. The June Board meeting would be held on June 3, 2008.

Meeting Schedule

The next Board meeting would be scheduled for May 7, 2008.

Mr. Walker asked for the Board to review the scope on page 4, Item 5 regarding scope.

The Board was asked to review the language in the documents.

Mr. Hine stated that instead of an actuary reviewing claims, he would prefer someone familiar with the claims function such as a TPA. He stated that they only wanted the actuarial services aspect on this.

Mr. Walker stated that the last proposal had two different ways to price this. One was a firm fixed hourly rate, and the other was a guaranteed maximum cost not to exceed. He believed it was in the City's best interest to do it in this manner. He stated that page 17 was the technical proposal.

It was asked if they were still going to consider a 5-year contract. Mr. Walker confirmed, but stated that it was up to the committee.

Motion made by Mr. Prestera and seconded by Mr. Bond that the RFP for actuarial services be a three-year contract with two annual renewals. Board unanimously approved.

Vice Chair Schwartz reminded everyone that the next meeting was scheduled for May 7, 2008.

Other Business

Mr. Hine stated that the City hired a new Benefits Coordinator and they would attend next month's meeting.

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 9:02 a.m.

Respectfully submitted,

Margaret A. Muhl