

## INSURANCE ADVISORY BOARD MINUTES

City of Fort Lauderdale

100 North Andrews Avenue

8<sup>th</sup> Floor Conference Room

Wednesday, January 13, 2010– 8:00 a.m.

1/10 – 12/10

<b>Board Members</b>	<b>Meeting Attendance</b>	<b>Cumulative Attendance</b>	
		<b>P</b>	<b>A</b>
Joseph Cobo, Chair	P	1	0
Mark Schwartz, Vice Chair	P	1	0
Joe Piechura, Sr.	P	1	0
Jim Drake	A	0	1
Charles Grimsley	P	1	0
Steve Botkin	P	1	0
Stephen Estler	P	1	0

### **Staff and Guest**

Denny Stone, Employee Benefits Coordinator

Michael Walker, Procurement & Contracts Manager

Guy Hine, Risk Manager

Matthew Cobb, Risk Management Coordinator

Tony Servien, Safety and Training

Orlando Huquet, Safety and Training

As of this date, there are 7 members of this Board, and all 7 are appointed, which means that 4 would constitute a quorum.

### **Roll Call**

The meeting was called to order by Chair Joseph Cobo at approximately 8:00 a.m.

### **Communications to City Commission**

Nothing to report.

### **Approval of Minutes – December 2, 2009**

**Motion** made by Mr. Piechura and seconded by Mr. Grimsley to approve the minutes of the December 2, 2009 Board Meeting. Motion passed unanimously.

### **Unfinished Business**

#### **Property Policy & NFIP Flood Policy**

Mr. Hine stated there is a soft market for property insurance at this time, and therefore, they are looking at a rate reduction. NFIP policies are necessary in order for the City to be eligible for FEMA reimbursement. It was his understanding that the City did not have NFIP Flood policies in the past. In order for FEMA reimbursement to come into play,

there has to be a Federal mandated national disaster. It has been recommended that the City have such policies. He advised that staff is reviewing three possible options, and wanted the Board's input.

Mr. Hine proceeded to explain the City's current method for insuring for floods is contained within the current policy. In the last few years, the City has had a layered policy with Lexington and Lloyd's, but previously had been insured by FM Global. Within the current policy, there was a \$50,000 per occurrence deductible, excluding certain flood zones. Flood Zones A and V had a \$500,000 per location deductible with a cap of \$2.5 million. More than half of the City's properties are located in Flood Zones A and V. It was his understanding that the cap was not necessarily the norm (i.e., this is an advantage most policies do not have). In addition, there is a limit of \$35 million. Mr. Hine stated it was his assumption that in the past, the City had self-insured for flood insurance (i.e. the deductible portion).

Mr. Hine stated the possible rate reduction, due to the Commission's concern with expenses and the budget, should be a serious consideration. The reduction could be 10%, but the exact amount is not yet known.

Mr. Hine stated the second option is to obtain NFIP policies for all locations to work in conjunction with the property policy. The challenge is they need certificates of elevation, which have a cost attached to them. It was his understanding that timing would probably not be a problem, but the cost could range from \$150 to \$500 per location. This work would be outsourced.

Chair Joseph Cobo suggested they could do 10-15 locations per year if cost became an issue. He also stated the locations could be prioritized by zone.

Mr. Hine stated if they decided to do this for all locations, they could eliminate the cap of \$2.5 million reducing the carrier's exposure. They could also reduce the limit of \$35 million. If they have the NFIP policies, then FEMA could come into play during a disaster. He believes by doing these two things, they could gain more leverage regarding rates (on the property policy).

Mr. Estler asked about the premiums and potential savings. Mr. Hine stated they did not have the amount for the NFIP policies as of this time. They believe most certificates would return favorably for the flood zones. He stated if they purchased less than \$10,000, they could do a quick quote. If it is over \$10,000, a bid process would be involved.

Mr. Schwartz stated the broker needs to estimate the excess for the \$500,000 deductible.

Mr. Hine stated if the work is done in fragments, he was concerned they would not have the necessary offsets. He would like to approach having all the work done at one time, and use offsets to lower the rates for the property policy. He was concerned not having an offset and paying full price for the property policy, along with the flood policies. This could raise the total cost for all policies from last year.

Mr. Hine stated staff wants to provide the quotes to this Board in February. They want to make a presentation to the City Commission at their first meeting in March. During the

last month, staff has been working on the schedule of values and checking out all possible options.

It was stated that the broker could provide some estimates without the elevations.

Staff would check the City's ordinance as to how it defines professional services because surveys could be placed in such a category. If it is a professional service, only one quote would be needed which could be approved by the City Manager's Office.

Mr. Hine asked for the Board's recommendation regarding this issue.

Chair Joseph Cobo stated the Board is suggesting that staff obtain a price range for the flood insurance, and check with the carriers what an applicable credit would be, along with determining possible costs for the surveys. This would determine whether it was worth proceeding to obtain the certificates.

**Motion** made by Mr. Piechura and seconded by Mr. Grimsley to have staff obtain a price range for the flood policies and determine with the broker what the applicable credits might be, along with the costs of the survey. If the net produces a positive result for the City, staff could move forward. Board unanimously approved.

Steve Botkin entered the meeting at this time, along with Tony Servien.

Mr. Servien stated that the City's architect could possibly assist with the locations, and may have some of the necessary elevations.

### **New Business**

#### **Dental RFP Delayed**

Mr. Stone provided a recap of the information provided at the Board's previous meeting regarding the preparation of a group dental RFP because the City was not prepared to accept MetLife's proposed 18% (HMO) increase, and a 30% (PPO) increase for approximately 1400 employees. Meantime, the City continued negotiations with MetLife standing by their contention that the contract ran through December 31, 2010, not February, 2010 as MetLife had contended. MetLife had just confirmed that they would honor the contract through December 31, 2010. An RFB will be submitted later in the year for a January 1, 2011 implementation.

Mr. Stone stated that MetLife was one of the more honorable carriers he had worked with, and he was pleased they would honor the contract.

#### **AD&D Policy**

Mr. Hine stated it was his understanding there was not much in the way of technical specifications with the AD&D policy having limits of about \$60,000 and \$180,000. For the last three years, the policy has been with Hartford. They are looking to market this policy for the upcoming policy period. Last year, the City paid \$37,470, including a commission. Now, the AD&D policy would be incorporated into the policies with PRIA. There would be a savings in connection with the commission.

It was stated that the commission regarding such policies was not very substantial.

Mr. Estler asked about the differential between AD&D and straight life. Mr. Hine clarified this was for police and fire department employees only as specified by State law.

**Motion** made by Mr. Grimsley and seconded by Mr. Botkin to approve that the negotiation method be used to purchase the AD&D insurance. Board unanimously approved.

### **Old/New Business**

Mr. Stone provided a summary regarding open enrollment. He referred to a chart that was provided to the Board. He advised that approximately 600 individuals made changes to their benefits last year, and another 600 took biometric and wellness tests. This year they put together a new Aflac electronic enrollment system, and wellness tests were separated from the enrollment. This year the number of individuals making benefit changes doubled to 1300. Aflac, Allstate, and U.S. Legal are the carriers providing the voluntary life insurance, disability and pre-paid legal programs.

Section 125 was also outsourced, and participation increased by 30% to 265 participants. Debit cards are being offered for medical care spending accounts. He stated there can be a contribution of \$5,000 for dependent care, and \$3,000 for healthcare.

Mr. Estler asked if HSAs had been addressed. Mr. Stone stated he has reviewed consumer driven plans with HSAs, but they have not introduced HSAs because the City's healthcare plans are so rich and have no deductibles for healthcare. Such plans could be reviewed in the future.

It was suggested that staff begin preparing individuals in connection with deductibles. Mr. Stone stated that co-pays and the increase in premiums was brought before this Board about three months ago. They had met with the Commission and bargaining units, and will make the changes city-wide in March to co-pays and premiums.

Mr. Hine stated it appeared to be understood that deductibles could be increased at some time in the future.

Mr. Piechura stated he wanted to amend his motion regarding flood insurance so as to include that if the net calculations are not a savings, staff should proceed with the current policy having flood coverage within the general property coverage.

The Board agreed that was their intention when they previously approved the motion.

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Mr. Hine proceeded to introduce Orlando and Tony from the Safety Department. Risk Management is planning on working with these individuals closely in the future. They are also working with Parks and Recreation.

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**Scheduled Board Meetings**

The next scheduled meeting is February 10, 2010. The meetings would then go back to being scheduled on the first Wednesday of every month.

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

There being no other business to come before the Board, the meeting was adjourned at approximately 8:47 a.m.

Respectfully submitted,

Margaret A. Muhl  
Recording Secretary