INSURANCE ADVISORY BOARD MINUTES
City of Fort Lauderdale
100 North Andrews Avenue
8th Floor Conference Room
Wednesday, March 3, 2010– 8:00 a.m.

Board Members	Meeting Attendance	1/10 – 12/10 Cumulative Attendance P	A
Joseph Cobo, Chair	P	3	0
Mark Schwartz, Vice Chair	P	3	0
Joe Piechura, Sr.	P	3	0
Jim Drake	P	2	1
Charles Grimsley	P	3	0
Steve Botkin	P	2	1
Stephen Estler	A	2	1

Staff and Guest

Michael Walker, Procurement & Contracts Manager
Matthew Cobb, Risk Management Coordinator
Guy Hine, Risk Manager
Alan Florez, Public Risk Insurance Agency

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 8:05 a.m.

Communications to City Commission

Nothing to report.

Approval of Minutes – February 10, 2010

Motion made by Mr. Schwartz and seconded by Mr. Piechura to approve the minutes of the February 10, 2010 Board Meeting. Motion passed unanimously.

Unfinished Business

Approval of Property Insurance (including NFIP) Quotes

Mr. Hine advised that this item would go before the City Commission on March 16, 2010. He advised that a representative of the insurance agency would give a presentation of what had been accomplished. He stated they were not completely successful in being able to cover the cost of the NFIP policies with savings from reducing the flood exposure under the property policy; however, they were still able to achieve a savings on last year’s premium.

Alan Florez stated he was going to present the options received. Option #1 was comparable to last year. He explained this option had a $100 million limit and mirrors what the City currently has in place. He proceeded to show a chart of the structure, along with a breakdown of Option #1. The estimated premium is $2,229,193. He was told they agreed to look at splitting the program, and that is represented by Option #2.

The structure for Option #2 was shown. Mr. Florez stated this option would have a $75 million limit, but this is for the non-utility portion. There were two policies. One would provide insurance for non-utility structures, and the other provided insurance for the utility structures. There is $187,406,202 total insured value on the non-utility side. For utilities, there is $185,275,410 total insured value. In the aggregate, there would be $150 million limit.

Mr. Florez stated that Starr Tech was the utility carrier, and they attempted to get comparable coverages. It was important to make sure they would have $5 million for business income and extra expense, and to keep consistent with terrorism coverage. The premium for this portion would be $531,000. He proceeded to provide information on the premiums for the layered policies.

Mr. Florez advised that one alternative for Option #2 maintained the same flood exposure that existed last year. The other alternative for Option #2 reduced flood exposure in the layered policies, and transferred that to the National Flood Insurance Program (NFIP). This contemplated purchasing National Flood Insurance policies. If those were not purchased, the premium for the non-utility policies would run an additional $76,000. He proceeded to explain the flood coverage presently carried by the City. There was also presently a $2.5 million cap on deductible losses. Basically, it is considered a stop loss. He explained the National Flood Insurance Program (NFIP) had greater economies of scale, and their rates were thus lower.

Mr. Florez stated these were the recommended options for review. He proceeded to show a chart listing the various options. He stated the NFIP policies would cost the City $93,483. He showed the various savings that could be involved, and explained the various flood zones. He explained that this contemplated a $50,000 deductible for any value greater than $250,000. For any value less than $250,000, there would be a $5,000 deductible.

Mr. Florez stated that he liked the split which provided a savings, but he is not sure if the Board would want to go with NFIP. It is important to notice that the difference between the two would not change the percentage point. They would both be a 6% savings.

Mr. Florez proceeded to show the current year versus the recommended programs. The recommended programs would be reviewed in three separate categories. Both policies were all special form causes of loss coverage forms. He proceeded to list the differences between the policies.

Mr. Schwartz asked if earthquake coverage was necessary in the State of Florida. Mr. Florez stated earthquakes were highly improbable in Florida, but essentially this was a throw in. Mr. Schwartz asked how the various flood zones had been rated. Mr. Florez stated that the A and V zones were rated by the National Flood Insurance Program (NFIP) which follows the elevation certificates.

Mr. Florez proceeded to list the sublimits in the policy, along with the flood annual aggregate. He stated that he raised the issue of the NFIP policies because of discussions he had with the Director of Public Assistance for FEMA. It was his understanding if the City did not have NFIP policies, they would not be able to get public assistance for deductibles for a flood event. He proceeded to provide some examples of situations.

Mr. Hine stated that one of their concerns was how it would be viewed if they were not FEMA eligible for public assistance on certain flood claims. He feels the City's existing policy is structured well, however, he was asking for the Board's input.

It was announced that Mr. Grimsley arrived during the presentation.

Mr. Schwartz stated the Commission would look to the savings, but if they go with the maximum savings and a high deductible, they would not be able to lower it in the future.

Mr. Grimsley asked about a time line in connection with FEMA reimbursement. Mr. Florez explained there is a distinction between public assistance and NFIP. The NFIP is an insurance policy and is distinct from FEMA public assistance.

Mr. Drake asked about the cost for the NFIP in terms of obtaining the elevation certificates. Mr. Hine stated the cost was about $15,000, and he looked at it as a cost of doing business.

It was asked what the most cost effective program would be, and the easiest to renew.

Mr. Florez stated that as it relates to the options, the choice would likely make little difference in how underwriters perceive the risk. This was fully marketed this year. However, there could be a sudden carrier concern where changes were made in flood insurance. By transferring to NFIP, the City would be insulating itself better. He advised it was difficult to put a dent in the NFIP rates because they were not as arbitrary or subjective.

Mr. Schwartz commented there would be increases every couple of years in NFIP rates. Mr. Florez confirmed.

Mr. Hine asked about Lexington's position. Mr. Florez stated that John Doyle, President of Chartis, indicated that Chartis was preparing itself to be independent from their parent company from a capital standpoint. Therefore, Mr. Florez perceived there were internal structural changes that would affect how they view their exposures and risk. A more conservative approach was taken in some areas.

Mr. Hine stated they were hoping for more of a reduced cost, and he felt the market would call for that. However, Lexington's stand made things a little more difficult.

Mr. Florez explained that Starr Tech is a CV Starr Company associated with Hank Greenberg.

Mr. Hine stated the City had three new fire stations: #29, #3, and #49. Value combined for all three, including contents, was $7.2 million. Those stations were not included in these quotes, and to add them in would cost an additional $35,000 to $40,000.

In a discussion regarding a $50,000 NFIP deductible vs. a $25,000 deductible, Mr. Grimsley stated that one loss could make-up the difference in premium savings. Mr. Florez confirmed. Mr. Hine stated he did not recall the last time there had been a flood.

Motion made by Mr. Piechura and seconded by Mr. Schwartz for this Board to recommend Plan B.

Mr. Florez explained that Plan B was the higher deductible with Plan C being the lower deductible.

Mr. Hine stated he was in favor of the (Option #2) plans being in six-figure savings, especially with the future budgetary concerns.

Mr. Piechura asked if the Commission would be more in favor of a higher deductible or a lower deductible. He asked if the premium would outweigh the deducible. Mr. Hine stated that he believed that the Commission put their trust in this Board's recommendation. He was not sure the Commission would want to make such a decision. He reiterated that the Commission was watching the money issue very closely.

Mr. Grimsley stated if the probability of a flood is negligible, they should go with the greater savings based on historical knowledge.

Mr. Florez stated that the normal statistics within an A Flood Zone was based in the past on 30-year mortgages.

Mr. Grimsley stated that times were tough and they needed to save whatever possible.

Mr. Florez stated that as it relates to Flood Zone A, the probability of a Flood is based on flood events in the past. Flood Zone A properties are likelier to have a flood event occur.

Mr. Piechura stated he was more in favor of going with the savings now. Mr. Botkin stated he was in favor of the 50/50 plan. Mr. Schwartz stated he would go along with the majority. He asked who were the other big players on the policy's primary layer. Mr. Florez stated it was Lloyd's who stepped up to the plate, and they were different than the normal domestic carriers but less challenging to deal with than normal.

Mr. Schwartz asked if on the $125,000 savings, the maximum deductible, on the NFIP policies, on any one property would be $100,000. Mr. Hine confirmed stating that it would include the building and its contents.

Motion made by Mr. Schwartz and seconded by Mr. Botkin that Plan B be recommended to the City Commission since it was a good savings factor. The Board approved unanimously.

New Business

Review of Technical Specifications for WC/TPA

Mr. Hine stated what the City presently had was a fragmented adjusting team. He believed the best way to handle this was to have a dedicated team, and two adjustors would have about 120 files each. There would be more leverage in what they get, and currently there is no control over the inventory. There would be a separate adjustor for medical claims. He believed the increase in cost of the program for a dedicated team would be offset by the expertise and dedication the City would get.

Mr. Hine explained that with this contract they had four different segments, with the biggest aspect being claims. There is also the managed care aspect of the pricing of the bills, and he feels that should stay with the TPA. There is also the telephonic case management and field case management. He was not sure how to approach this and if it should all be bundled.

Mr. Grimsley stated he was in favor of the dedicated team. Mr. Schwartz asked if costs, including benefits, could be broken down, along with the indirect costs. He asked if the costs could be compared to in-house costs. Mr. Hine stated they could not do in-house because it is presently outsourced. He wanted to make sure things would be handled properly, and that is why he favored a dedicated outsourced team.

It was explained that the key to Worker's Compensation loss control was to be quick and consistent, and get it off the books.

Approval of the AD &D Insurance Premium Quote

Mr. Hine stated the bid process was not normal procedure that Risk had practiced in the past, but Florida Statutes state that there must be a public bid. However, there was another section of the Statute that allowed for negotiation, and he was going to inquire about this issue with the City Attorney. He referred to the information distributed to the Board. He added that he did not feel there would be a disadvantage in going for two years. He stated they were going with the same policy they had, and he did not feel they should make a change.

Mr. Schwartz asked why they were not considering the two-year pre-paid since the savings would work out to 5%. Mr. Walker stated the City could not make pre-payments. Mr. Schwartz stated that some agencies would issue a three-year policy, and accept installment payments. Mr. Hine stated he thought that was what the two-year would entail, and they would receive a discount.

It was asked if they would negotiate and split the difference. Mr. Hine asked if that could be done. Mr. Walker stated they could ask the low vendor to voluntarily reduce their price.

Motion was made by Mr. Grimsley and seconded by Mr. Botkin to recommend the acceptance of the Federal Insurance policy, and there be an attempt to negotiate for a two-year pre-payment price but paid with two installments. Board approved unanimously.

Property Loss Fund

Mr. Hine stated the City did not have a fund for property loss exposures. There may be a surplus this year that could be used to set up such a fund. In the future, there would be an assessment for Hurricane Wilma. He was hopeful that at the end of 2010, there would be another surplus. The surplus is from revenues collected. Mr. Schwartz stated that they had been told the monies had been put in the General Fund, and updates would be provided yearly.

Mr. Hine stated he would like to have a separate fund established. It was stated that years ago there had been such a fund. Mr. Hine stated that he would check and see what other municipalities were doing in that regard. He added that the City of Miami had $11 million set aside. He explained they would have to develop policy in this regard. His goal would be to charge the departments less (less future surcharges) if a surplus existed.

Mr. Grimsley asked if they are considering recommending to the City Commission that the insurance surplus be placed in a separate fund. He asked if this would constitute a communication to the City Commission. Mr. Hine confirmed. Mr. Schwartz asked if they would be ear-marking certain amounts for specific items. Mr. Hine agreed.

Mr. Cobo suggested that staff bring back a proposal in this regard to the Board for further discussion. Mr. Hine agreed.

Continuation of the Property Insurance Discussion

Mr. Hine advised the City Commission meeting in regard to the policy would be on March 16, 2010 at 6:00 p.m. He believes that due to the amount of the policy, the item would likely be pulled for discussion, and therefore, asked if some of the Board members could attend.

Mr. Florez stated there was another aspect affecting the property. He felt they could not totally focus on the Lexington issue as it relates to not obtaining as a high of a reduction, because it has been 10 years since an appraisal had been done. Therefore, the information needed to be updated. There were adjustments made in coordination with City Staff that more accurately represented the City's exposure. This adjustment made things more difficult when the broker began negotiations.

Mr. Hine added that they were going to request that the cost for a full appraisal be included in next year's budget.

Scheduled Board Meetings

The next scheduled meeting is April 7, 2010 at 8:00 a.m.

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 9:16 a.m.

Respectfully submitted,

Margaret A. Muhl
Recording Secretary