

INSURANCE ADVISORY BOARD MINUTES

City of Fort Lauderdale

100 North Andrews Avenue

8th Floor Conference Room

Wednesday, August 4, 2010– 8:00 a.m.

Board Members	Meeting Attendance	1/10 – 12/10 Cumulative Attendance	
		P	A
Joseph Cobo, Chair	P	7	0
Mark Schwartz, Vice Chair	P	4	3
Joe Piechura, Sr.	P	6	1
Jim Drake	P	5	2
Charles Grimsley	P	7	0
Steve Botkin	P	5	2

Staff and Guest

Matthew Cobb, Risk Management Coordinator
Guy Hine, Risk Manager
Michael Walker, Procurement & Contracts Manager
Alan Florez, Vice President, PRIA
Larry Teich, Environmental Research Supervisor

As of this date, there are 6 members of this Board, and all 6 are appointed, which means that 4 would constitute a quorum.

Roll Call

The meeting was called to order by Chair Joseph Cobo at approximately 8:03 a.m.

Communications to City Commission

Mr. Hine proceeded to explain to the Board the process to follow if there are to be any communications to the City Commission.

Approval of Minutes

Motion made by Mr. Piechura and seconded by Mr. Grimsley to approve the minutes of the June 2, 2010 meeting. Board unanimously approved.

Unfinished Business

WC/TPA RFP

Mr. Hine stated that six companies bid, but the SAS 70 Report was the biggest hurdle, and three of the companies did not provide it. This requirement was included in the RFP. This report consists of accounting guidelines and is for service organizations. The companies do not have to have it, but the City can require it. The City Auditor and Controller agree that it should be included in the requirements, and it covers security and

financial controls within the organization. He proceeded to explain which companies did not provide this required report. A protest was submitted, and therefore, a meeting will be held tomorrow afternoon to discuss OptaComp who submitted such a report, but it was for their parent company, Blue Cross/Blue Shield. Presently, they do not have this and are working on it. Therefore, they would be deemed non-responsive.

Mr. Walker explained that the Selection Committee would deem them as non-responsive at tomorrow's meeting. He stated that Genesis is filing the protest and had sent an e-mail explaining why they did not have this report at the time of the RFP. According to them, new start-up companies did not have this. An official protest letter was submitted and is being reviewed. City staff determined that two out of the three companies had met the requirements in the RFP.

Mr. Hine stated that the City Auditor explained that the three companies had submitted an SAS 70 compliant report, which was actually an internal auditor's report that follows the guidelines of SAS 70.

Mr. Walker stated that vendors would be presented to the City Commission on August 17, 2010 with a recommendation to move forward with Gallagher Bassett Services Inc. He believes that the protesting company will be present at that meeting, and Mr. Buffington will respond to the protest.

Mr. Hine stated he was comfortable with what the evaluation committee had selected, realizing they are now down to two companies. He added that he would like to move forward with the committee's recommendation, but realizes they have some challenges to overcome.

Mr. Grimsley stated he was a member of the review committee and went into the analysis with no pre-disposition for any company. Each company had an equal opportunity to be considered as a winning applicant. When considering price and past services, the incumbent provided great service, and was deemed as the best choice. The other applicants are excellent companies, but when considering all factors the recommendation the committee is making appears to be the best for the City.

Mr. Cobb stated all three companies would have provided a great level of service, were good companies in their own right, and each fell within a relatively close price range. In reviewing the applications, he took into account cost for the City and best service for the employees. In reviewing all the requirements, he felt Gallagher Bassett edged above the competitors.

Larry Teich, Environmental Supervisor, entered the meeting at this time.

Mr. Hine stated that Mr. Teich was present in regard to the pollution liability insurance issue.

Motion made by Mr. Schwartz and seconded by Mr. Grimsley that the Board accept the recommendations of the Selection Committee, and present it to the City Commission. Board unanimously approved.

New Business**Purchase of Excess Workers' Compensation Insurance.**

Mr. Hine stated that the City has been with Arch for the last three years, and premiums have been decreasing. He explained how the current premium was calculated. He explained the response received two years ago when this policy had been marketed. He stated that Mr. Florez was present today and would review the details with the Board. Staff is suggesting that this insurance be marketed this year. He provided a claim analysis for the Board's review.

Mr. Florez proceeded to explain why this item should be marketed. One important factor is that when this policy was previously marketed some companies did not have an opportunity to provide a quote. There are companies that are very competitive in this field, and therefore, should be reviewed. He stated that Lexington, who is part of Chartis and currently has the City's Public Officials Liability Policy, had approached him about quoting this insurance also. They are about business units working together and were aggressive on the aggregates of some of the business. It would be a good idea to look at Lexington's offer.

Mr. Florez explained that New York Marine & General is the second most competitive company.

It was asked if the \$2 million retention should be reduced. Mr. Hine explained the City has about 10-12 claims to settle, and the carriers appear to be "tight-fisted" at the moment. They are attempting to get settlement authority from the carriers.

Mr. Florez stated STAR has the ability to make a reduction, and therefore, they are going to ask for options. He did not feel all the markets were capable of doing this. If the market provides the opportunity to reduce the retention, the City should attempt to do that or at least consider doing it.

Mr. Grimsley asked if the choice is to negotiate with the present provider versus an RFP. Mr. Hine stated the negotiation method could be used to negotiate with the current vendor or could be used to put this out to market via the City's broker consultant, Mr. Florez.

Mr. Schwartz asked if the USL&H Endorsement would still be included, and did STAR have the ability to do it. Mr. Florez confirmed, but stated that STAR may be more difficult in that regard than the other companies.

Motion made by Mr. Grimsley that this Board authorize the City's broker to negotiate and solicit any and all bids for the excess worker's compensation policy.

Mr. Hine stated that \$500,000 had been included in the budget. STAR is normally more competitive not only in regard to price, but in retentions. Generally, the lower the retention, the higher the price charged for the insurance policy.

Mr. Schwartz asked if STAR was more competitive since they were a smaller company. Mr. Florez stated that STAR has a unique program. He proceeded to provide some information regarding the company.

The motion was seconded by Mr. Piechura. Board unanimously approved.

It was asked if this market tracked the standard work compensation market in regard to decrease of premiums. Mr. Florez explained they were not subject to NCCI file rates, however, they have trended downward with the NCCI. He explained that Lexington was back in the game and they want to be aggressive. Presently, the market is competitive with new players.

Purchase of Public Officials Employment Practice Insurance

Mr. Hine provided some history of the insurance to the Board. He stated there has been a combined policy the last two years, which was with National Union, and that seems to have worked out very well. The price has been reduced for the last four years. He did not feel there has been any great change in this market. It is staff's recommendation to not market the policy this year, but to negotiate with the current vendor instead.

Mr. Florez stated that National Union was considered the leader in this type of insurance in the State of Florida. There are some competitors, but our rates have continually decreased with the current vendor. He feels they need to push for more coverage in the area of non-monetary exposure without increasing the premium. He feels that the City should request a \$1 million limit for the non-monetary. there should be a \$1 million level. He explained when non-monetary issues come into play.

Mr. Schwartz asked about the reductions for the market. Mr. Florez explained there were slight reductions of 3% to 5%, but they are not being overly aggressive in regard to renewals. They are being aggressive in regard to new business.

Motion made by Mr. Grimsley and seconded by Mr. Botkin that the City negotiate with the current vendor. The Board unanimously approved.

Purchase of Pollution Liability Insurance

Mr. Hine stated this insurance had not been discussed previously, but Larry Teich was present to answer any specific questions. A ball park figure of \$50,000 was received for the insurance premium on this type of policy. The matter was discussed, and he is comfortable that safeguards are in place and the City has not had any issues in this regard in the past. He did not feel this would be money well spent, but he was not experienced in this regard.

Mr. Schwartz asked for some further clarification on the coverage of the policy. Mr. Florez explained some companies that were prevalent in this regard.

Mr. Teich explained that the fuel tanks were self-insured through a declaration letter from Risk Management. The State and County are presently enforcing such a declaration. Everything is up to code at this time, and the tanks are regularly inspected.

It was asked if other municipalities carry this type of insurance. Mr. Florez stated other municipalities did carry this insurance which varied in size. Many municipalities did not have the wherewithal that the City of Fort Lauderdale has in this regard or a history of

self-insuring. The cost for many other municipalities was only \$5,000 to \$10,000, which made it more cost effective.

It was asked if an emergency program was in effect if something should occur. Mr. Teich stated there is a Fire Rescue HazMat response team, and engineering firms are also on contract that would respond to such a situation for containment and clean-up.

Mr. Schwartz asked if the City would take care of such an incident or would it go to an outside contractor. Mr. Teich stated that an outside contractor would be used depending on the level of the scope of work. He proceeded to explain how such situations were normally handled.

Mr. Grimsley reiterated that everything was up to code, an alarm system was in place, along with containment, and there has never been a loss. He did not feel this purchase of insurance would be necessary.

Motion made by Mr. Grimsley and seconded by Mr. Schwartz that this Board recommends not to purchase this type of insurance.

The motion was amended so the City Commission understands this is the recommendation due to the fact that there have been no issues in this regard in the past, and controls are in place for such a matter. The amendment was accepted.

The Board unanimously approved the motion and amendment.

Other Business

Mr. Hine explained that a resolution was adopted by the City Commission regarding absent members. A meeting would be scheduled regarding this issue. He proceeded to provide a copy of the resolution, and read it into the record.

Mr. Schwartz remarked that the City's broker should bring forward any other types of issues not previously addressed by the City as they are discovered.

Mr. Teich explained they were presently investigating the other chemical tanks owned by the City.

Mr. Hine asked for another member of this Board to attend the City Commission meeting on August 17th regarding the WCC TPA contract. Mr. Grimsley would attend since he had been a member of the Selection Committee. Mr. Hine believes this will be a controversial issue. Mr. Piechura volunteered to attend.

Scheduled Board Meetings

The next scheduled Board meeting is September 1, 2010 at 8:00 a.m.

There being no other business to come before the Board, the meeting was adjourned at approximately 8:50 a.m.

Respectfully submitted,

Margaret A. Muhl
Recording Secretary