INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, FEBRUARY 1, 2012 – 8:00 a.m.

MEMBERS	ATTENDANCE	CUMULATIVE 1/12 – 12/12 PRESENT	ABSENT
Joseph Cobo, Chair	P	2	0
Mark Schwartz, Vice Chair	P	1	1
Joe Piechura, Sr.	P	2	0
Jim Drake	A	1	1
Charles Grimsley	A	1	1
Steve Botkin	A	1	1
Robert Langsett	A	0	1

Staff
Bobby DuBose, Vice Mayor
Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator
Dennis Stone, Employee Benefits Coordinator
Mike Walker, Procurement & Contracts Manager
Richard Ewell, Procurement Specialist II
Alan Florez, Public Risk Insurance Agency
Lloyd Rhodes, Benefits Consultant
Amanda Lebofsky, Prototype, Inc., Recording Secretary

Communications to City Commission

None.

Determination of quorum

As of this date, February 1, 2012, there are 7 appointed members to the Insurance Advisory Board, which means 4 would constitute a quorum. At this time, there is no quorum.

1. **Roll Call**

Chair Cobo called the meeting to order at 8:20 a.m. Roll was called and it was determined a quorum was not present. Chair Cobo said they would hold a meeting for discussion purposes only.

Chair Cobo congratulated Vice Mayor DuBose on his re-election.

2. Approve Minutes of January 4, 2012

Not addressed due to lack of quorum.

3. Communications to City Commission

Not addressed due to lack of quorum.

4. Unfinished Business

- **Motion to approve property policy quote**

Mr. Hine said he had attached a breakdown of the different carriers and limits involved in the program. He also attached a declaration sheet and a statement of values, which is broken down between the utility and non-utility properties. Mr. Hine reviewed that $2.112M was the final amount for last year's property policy. He said the market is hardening, and they are looking at a slight increase.

Mr. Florez reported that since February 2011 there was a change in the market place, in which the industry started applying RMS version 11 in evaluating the windstorm exposure in their property insurance portfolios. He said that for the renewal last April, they had not been subjected to the impact of RMS 11. The impact is that for any given risk the probable maximum loss will increase. That will drive rates to increase. The areas on the coast were not impacted as much in the modeling because previous RMS models had already taken into account the level of exposure in coastal areas. However, rates will be increasing across the board on most property placements. In addition, global catastrophes, such as those in Japan, New Zealand and Australia have impacted rates and reinsurance treaties.

Mr. Florez continued that they knew by October that there would be an increase, and they started discussing ways to mitigate that increase. He said that he has a summary of what the options are, what impact they can have, and what would be the worst case scenario. That worst case scenario, however, is not where they intend to end up, as they have another month and a half of negotiating.

Mr. Florez directed the Board's attention to a document in their packets, which detailed the premiums. He pointed out the expiring premiums for $250M worth of non-utility related exposures (such as City Hall), $250M worth of utility exposures (water utility plants), boiler and machinery policy, and the NFIP policies, with an exposure of $2.1M.

Mr. Florez then directed them to another column representing the same terms and conditions as the one up for renewal, and the not to exceed is an 11% increase. They will be negotiating to bring that down. To try to mitigate the increase, they are going to do the following:

- Lexington is part of the Chartis companies (AIG), and is the biggest challenge, since they are requesting a 27% increase.
    - The City is trying to find other companies to possibly replace them.
    - There is interest from London to expand their presence in the primary layer.
- Look at other options, separating out the garages and stadium. They have not yet found a market that can do that at a rate that is advantageous for the City. They are waiting for AmRisc to get back to them, and AmRisc will not give them anything earlier than 30 days out (3/1) from the expiration date.
- Reduce overall limit. Current limits per occurrence are now $75M for non-utility portion, and another $75M for the utility portion.
    - Saving several hundred thousand dollars but getting rid of $25M of valuable capacity
    - They have asked Lexington to evaluate taking back the utility portion of the risk that they are not on now and provide a more favorable rate.

- Another course of action is to take a 10-month policy to get away from the 4/1 expiration date.
    - Go to a 2/1 expiration date.
    - Utility carriers would prorate the premium, going down another $83K dollars, with the overall increase only being 7%.
    - Relief would probably not be seen in non-utility markets due to the two months that would be taken off are not wind-prone seasons.

In summary, Mr. Florez said the options are:

1. Status quo, with a not to exceed of $2.345M
2. Ten-month policy, with a not to exceed of $2.26M
3. $50M limit for both programs, with a flat renewal of $2.125M

Vice Chair Schwartz verified that at one time Global ran reports to show PMLs and he thought they only had $15-$25M coverage for wind. He continued that over the last few years they have been able to raise the limit and reduce the premium price.

Mr. Florez recalled that at the last IAB meeting, the modeling that was shared showed that for a 500-year storm event, under RMS version 11, the probable maximum loss would be $50,680,000. He said most carriers use 250 years for the standard for risk managers, and they are beyond the 250-year return. He commented that $50M could be considered sufficient, but the capacity that had been received at a great rate would be let go and might not be worth the immediate savings.

Mr. Hine said he was somewhat apprehensive about the non-utility side because that is where the exposure is. He commented that they do have the money for the $5M deductibles. They have positioned themselves to defend against the larger losses (Cat 3, 4, or 5), but could go back the other way.

Mr. Florez stated it is hard to get new markets to latch on to the idea of a $5M flat deductible, and he said they definitely want to keep that.

Mr. Hine said that in Wilma, they had about $6.5M in damages and were covered at $1.57M from the carrier at the time, so the recovery was about the same. If the storm had caused more damage, they would have been better off with the $5M deductible.

Vice Mayor DuBose asked about the renewal for Option 3, and Mr. Florez responded that Starr Tech has not yet given him a number for reducing it to $50M, but he was sure that the not to exceed would be $2.125M.

[Vice Mayor DuBose left the meeting at 8:42 a.m.]

5. **New Business** (not addressed due to lack of quorum)

- **Motion to approve Group Term/AD&D Life Insurance quote**
- **Motion to approve negotiation with current carrier for airport insurance**

Chair Cobo suggested closing the meeting since there was no quorum to take action.

6. **Open Discussion – Old/New Business** (not addressed due to lack of quorum)

7. **Schedule Next Meeting**

After discussion, the Board agreed to meet on February 9, 2012.

8. **Adjourn**

Hearing no further business, the meeting was adjourned at 8:47 a.m.

[Minutes prepared by J. Rubin, Prototype, Inc.]