

**INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
THURSDAY, FEBRUARY 9, 2012 – 8:00 a.m.**

MEMBERS	ATTENDANCE	CUMULATIVE	
		PRESENT	ABSENT
Joseph Cobo, Chair	P	3	0
Mark Schwartz, Vice Chair	P	2	1
Joe Piechura, Sr.	P	3	0
Jim Drake (arr. 8:06 a.m.)	P	2	1
Charles Grimsley	P	2	1
Steve Botkin (arr. 8:05 a.m.)	P	2	1
Robert Langsett	A	0	2

Staff

Guy Hine, Risk Manager (arr. 8:05 a.m.)
 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
 Maaike Cregar, Intern
 Amanda Lebofsky, Prototype, Inc., Recording Secretary

Communications to City Commission

None.

Determination of quorum

As of this date, February 9, 2012, there are 7 appointed members to the Insurance Advisory Board, which means 4 would constitute a quorum. At this time, there is a quorum.

1. Roll Call

Chair Cobo called the meeting to order at 8:02 a.m. Roll was called and it was determined a quorum was present.

2. Approve Minutes of January 4, 2012

Motion by Mr. Piechura, seconded by Mr. Grimsley, to approve the minutes of the January 4, 2012, meeting. In a voice vote, the motion passed unanimously.

3. Communications to City Commission

None.

4. Unfinished Business

- **Motion to approve property policy quote**

Mr. Florez directed the Board to the 5th to the last page of the packet. Since he had provided detailed explanations at the February 1 meeting of this Board, he said he would give a briefer presentation at this meeting.

He pointed out that the numbers are the “not to exceed” options provided for two purposes: to get before the City Commission in a timely manner and to give him the opportunity to continue negotiating up until the expiration date (4/1).

He said these would be worst case scenarios:

- For Option 1, the bottom line is a not to exceed of \$2,345,000 (about an 11% increase).
- Option 2 is for a ten-month policy for the same limits and coverage terms as the one expiring, and that would not exceed \$2,262,000.
- Option 3 would be if they try to stay flat year over year in premiums, it would be a \$50M dollar limit on each of the two policies, non-utility and utility, and the premium would not exceed \$2.125M.

Vice Chair Schwartz was curious if the modeling for RMS, showing a 250-year storm, was for \$50M combined.

[Mr. Botkin and Mr. Hine arrived at 8:05 a.m.]

Mr. Florez responded that the modeling is only for the non-utility portion. Mr. Florez said the 250-year return for RMS 11 for this schedule is \$36M gross loss (after the deductible), and the 500-year return is \$50M.

[Mr. Drake arrived at 8:06 a.m.]

Mr. Grimsley asked about the property options, and Mr. Florez said they can go for either the 10-month or 12-month. Mr. Grimsley asked for clarification on the limits and coverage terms. Mr. Florez explained that the Option 2 is the same as Option 1 except that it is a 10-month policy.

Vice Chair Schwartz summarized the options as explained by Mr. Florez at the February 1, 2012, meeting.

Vice Chair Schwartz asked what happens to the budgeted (\$2.5M) dollars if they stay flat (\$2.1M+), and Mr. Hine said the monies stay in the coffers and build up a surplus, barring a very unusual circumstance.

Mr. Florez said they have not received how much Starr Tech would reduce the premium if they went to \$50M, so they are using the \$75M numbers now. Obviously, he noted, it would go below the not to exceed for that option.

Mr. Grimsley remarked that the Florida Office of Insurance Regulation has set a standard for a 100-year PML for its homeowners insurance companies, and he wondered if the City was at or near the 100-year mark. Mr. Florez said they are exceeding it. He added, however, that a savings of \$200K loses \$25M of valuable capacity. Capacity is becoming more expensive, and he warned against underestimating that reality. Mr. Hine suggested “saving that chip” for when the market gets hard and the increases are more substantial. Mr. Grimsley thought preserving capacity now would not necessarily guarantee it in the future, due to the fickle nature of the insurance industry’s rating protocols.

Mr. Hine asked Mr. Florez about the reduction in the 10-month policy, noting it was not a 1/6 (2 month) reduction. Mr. Florez responded that the \$80K reduction is derived solely from the Starr Tech policy on the utility side. He said they are willing to reduce it pro-rata, but the City does not have buy in from the non-utility markets to do it in that manner. They would be paying for June 30 – November 30, not for December – February. Mr. Florez noted he will continue negotiating for a better price, and look at carriers other than Lexington.

Mr. Piechura spoke in favor of being off popular renewal dates because it gives underwriters more opportunity to examine the risk. He did not want to give up the limit. He said the 10-month policy would get them off the more common expiration date, closer to re-insurance contract renewal dates, so that capacity should be there.

Motion by Mr. Piechura, to stay with the 10-month option, and stay at the limit. Motion died for lack of second.

Motion by Vice Chair Schwartz, seconded by Mr. Grimsley, based on the RMS 11 most recent model that the carriers are using showing a 250-year more than adequate limit, even approaching the 500-year, to go with the \$50M non-utility, 10-month policy. In a voice vote, the motion passed (5-1), with Mr. Piechura opposed.

5. New Business

- **Motion to approve Group Term/AD&D Life Insurance quote**

Mr. Stone reported that in January the City went out to bid in the marketplace for the group term and AD&D policy. He said that he, Barbara Stanley, and Jerry Crosley comprised the Evaluation Committee which reviewed and ranked the proposals. He directed the Board's attention to a document which detailed the costs. Mr. Stone said the lowest overall bid was with MetLife (\$553K for 33 months). The 33 months puts the contract back on a calendar year schedule.

Mr. Stone said that 60% of the valuation went to cost and 20% to guaranteed issue. He said that MetLife, Aetna and a couple others would not give guaranteed issue, so their rankings were lower due to accepting less risk. Most of these companies said they would provide guaranteed issue only for new hires.

Mr. Stone continued there were other factors, which each accounted for 10% valuation, such as portability of coverage, accelerated benefit and references.

Mr. Rhodes gave an overview of the benefit design, noting it was not competitive with other public sector accounts. Usually life insurance is one times annual earnings and fully paid for by the employer for all benefit eligible employees. Mr. Rhodes said that currently the only coverage provided by the City is on 463 management employees. He said the voluntary participation is at 55%, due in large part to communications from Mr. Stone's department.

Mr. Rhodes said the evaluation took into consideration the competitiveness of the rates, as well as the special open enrollment guaranteed-issue offer for January, the ongoing guaranteed issue for newly eligible employees, and the portability factor.

Mr. Stone remarked that the Mutual of Omaha bid (\$9,100) for the City's share was \$11,000 less than the Unum bid (\$21,000). However, the voluntary coverages comprise 80% of the cost. Mr. Stone said employees would have had to pay \$84,000 more under Mutual of Omaha, whereas the City would have saved a few thousand dollars over the period of 33 months. The package was marketed in one package, to try to make costs competitive for employees.

Mr. Rhodes commented that the majority of employees who have the voluntary coverage now would see a reduction in payroll deductions for life insurance.

Mr. Piechura was curious why the City would offer life insurance coverage to employee's dependents, and Mr. Stone replied that it is available and they have had it in the past. Mr. Piechura thought that would result in an adverse selection. Mr. Rhodes remarked that the voluntary products are typically pooled, plus they are looking at a 33-month rate guarantee. At the end of that period, they would go out to bid if the company increased their rates.

Mr. Stone stated that are about 1400 employees taking coverage, 100 for spouses and 148 for dependents.

Motion by Mr. Piechura, seconded by Mr. Botkin, to approve the Group Term/AD&D Life Insurance quote. In a voice vote, the motion passed unanimously.

- **Motion to approve negotiation with current carrier for airport insurance**

Mr. Hine stated that two years ago they marketed the insurance and the policy remained with the current carrier. He added it is for liability only. Mr. Hine explained that the reason the premium is so low is that the FPOs (Fixed Based Operators) oversee the operation, so there is not a lot of exposure on the City.

Mr. Hine mentioned that in the last ten years there have been only four claims: three were gate closings, and the other was an open manhole covering that was run over by a plane. All claims were relatively minor.

Motion by Mr. Grimsley, seconded by Mr. Botkin, to approve negotiation with the current carrier for airport insurance. In a vote by show of hands, the motion passed unanimously.

6. Open Discussion – Old/New Business

Chair Cobo congratulated Mayor Seiler for his re-election and mentioned that Vice Mayor DuBose attended the last meeting.

Chair Cobo also mentioned that the issue of conference call-in to a meeting had been brought up and would be addressed at some time in the near future by the City Commission.

7. Next Meeting – March 7, 2012

8. Adjourn

Motion by Vice Chair Schwartz, seconded by Mr. Botkin, to adjourn the meeting at 8:32 a.m. Hearing no objection, Chair Cobo adjourned the meeting.