

**INSURANCE ADVISORY BOARD
100 NORTH ANDREWS AVENUE
8TH FLOOR CONFERENCE ROOM
FORT LAUDERDALE, FL 33301
WEDNESDAY, MARCH 7, 2012 – 8:00 a.m.**

MEMBERS	ATTENDANCE	CUMULATIVE	
		PRESENT	ABSENT
Joseph Cobo, Chair	A	3	1
Mark Schwartz, Vice Chair	P	3	1
Joe Piechura, Sr.	P	4	0
Jim Drake	P	3	1
Charles Grimsley	P	3	1
Steve Botkin	P	3	1
Robert Langsett	A	0	3

Staff

Guy Hine, Risk Manager
Matthew Cobb, Risk Management Coordinator
Richard Ewell, Procurement Specialist II
Alan Florez, Public Risk Insurance Agency
Amanda Lebofsky, Prototype, Inc., Recording Secretary

Communications to City Commission

None.

1. Roll Call (including number of appointed members and quorum)

In the absence of Chair Cobo, Vice Chair Schwartz called the meeting to order at 8:05 a.m.

As of this date, March 7, 2012, there are 7 appointed members to the Insurance Advisory Board, which means 4 would constitute a quorum. Roll was called and it was determined there was a quorum at this time.

2. Approve Minutes of February 1 and 9, 2012

Motion by Mr. Piechura, seconded by Mr. Grimsley, to approve the minutes of the February 1, 2012, and the February 9, 2012, meeting. In a voice vote, the motion passed unanimously.

3. Communications to City Commission

None.

4. Unfinished Business

- **Motion to approve property insurance premium quote**

Mr. Hine informed the Board that he met with Vice Mayor DuBose on the evening of February 9 regarding the property insurance options. Mr. Hine said that Vice Mayor DuBose mentioned that he would like to see the options addressed at the Conference Agenda March 6, 2012. Mr. Piechura and Mr. Drake attended that meeting.

Mr. Hine reported that the City Commission as a whole seemed pleased with what was presented to them, and emphasized there were significant changes as far as the options. Mr. Hine reiterated that there was no vote at the meeting on March 6, 2012 -- it was just a Conference meeting.

Mr. Florez, referring to a document, reviewed that this Board recommended Option 6 at their last meeting. The premium is the only item that is different: on February 9, the premium was \$2,125,310 and has since decreased to \$1,906,000. Since that time, additional options came to light, and those were made available to Mr. Hine, one of those being the option of \$65M for the policy limit.

Mr. Florez continued that Options 3 and 4 (\$65M limit) are part of the ongoing research into different ways to do the insurance. Option 1 is status quo, in terms of the same limit and the same end, 12 months.

Mr. Florez reported that they originally had the premium increase at about 11%. They went down to \$2,322,000. It now is a 10% increase over last year on a 12-month scale.

During the last month, Mr. Florez said two things happened:

- Because of the Board's focus on Option 6 and the recommendation, that became the focus of negotiations.
- Another focus of negotiations was to hone in on 10-month options, which was the consensus.

Mr. Hine commented that the City Commission agreed with the Board's recommendation regarding the 10-month option.

Mr. Florez continued that Option 2 would be a 2% increase over last year. Option 4 is essentially flat, and Option 6 would be a 10% decrease. He said it is important to note that the decrease percentages are not true rate decreases - they are percentage changes as a result of going to 10 months on the policy. In order to look at a pure rate change, he advised the Board to look at the figures in orange color on the document. He pointed out that next year the increase is going to artificially look higher than it would normally look, because they will be returning to a 12-month period.

Mr. Florez pointed out that under “Additional Options,” they did not find the stand-alone option for the garages and stadium to be more advantageous from a premium standpoint. No carrier was willing to do it for a rate that the City needed to achieve a savings. The option of combining the utilities also did not work out.

Mr. Florez said that Lloyd’s is taking a bigger position on the primary than in the past, replacing a little bit of the Lexington position.

Mr. Hine stated the bottom line is that the City Commission wanted to go more conservative, and was leaning toward Option 2, at \$75M limit on each policy (utility and non-utility). They also reviewed the two \$5M deductibles, and the City Commission is aware that the money (to cover the deductibles) is there in case it is needed.

Mr. Botkin said that the \$2.167M over 10 months works out to about \$2.5M on an annualized basis. Vice Chair Schwartz said it would not be cheaper than the other two months. Mr. Florez said the two months would bring it to \$2.3M if it stays flat.

Mr. Hine said they are working on the budget now, and budgeted \$2.5M for this year, and project \$2.5M for the next year.

Mr. Grimsley brought up the \$20M PML (probable maximum loss) for a 100-year storm. He thought that with \$50M, they had more than twice the coverage needed. With a \$38M PML for a 250-year storm, \$50M still covers it. He asked if this was discussed with the City Commission, and Mr. Hine answered in the affirmative. Mr. Hine said the City Commission talked about the wind modeling, which decreased this year compared to last year. Mr. Florez said that the City Commission saw and discussed the same document now before the Board.

Vice Chair Schwartz asked if they needed a motion on the matter, and Mr. Hine said he told the City Commission he was coming back to the Board to get their final thoughts on the matter. By consensus, the Board agreed it was the City Commission’s prerogative to do as they please.

- **Motion to approve airport liability insurance premium quote**

Mr. Hine reported that the quote came in flat, exactly the same figure as before, including everything from the prior year’s policy.

Motion by Mr. Grimsley, seconded by Mr. Botkin, to approve the airport liability insurance premium quote. In a voice vote, the motion passed unanimously.

5. New Business

- **Motion to approve police and fire AD&D insurance bid**

Mr. Cobb explained this was the policy required by state statute for police and fire employees if they are injured or killed in the line of duty, and the coverage limits and policy are defined by statute. According to requirements, it was a competitive bid process. Three bids were received: two were from L.B. Bryan and Co., with two different companies; and the third was from Ace, which partnered with PRIA (Public Risk Insurance Agency).

Mr. Cobb continued that they asked for three different options:

- Option 1 - one year policy
- Option 2a – two year policy split with payments between two years
- Option 2b – two year policy with firm price for the first year and fixed escalator price for the second year

Mr. Cobb said that most responded to Option 1 and Option 2a. He noted that last year, the City was with Federal Insurance (through L.B. Bryan and Co.), and the premium was \$48,780 for a two-year policy. Now the two-year policy is at \$42,957 with National Union (through L.B. Bryan and Co.).

Mr. Cobb elaborated that under Option 2a, the annual payment would be \$21,478.50, which is below budget.

Motion by Mr. Piechura, seconded by Mr. Botkin, to approve National Union Fire as the new carrier. In a voice vote, the motion passed unanimously.

Mr. Piechura asked what the statute pays, and Mr. Cobb said it is approximately \$60K for death in the line of duty and smaller amounts for injuries. The maximum is set by statute.

6. Open Discussion – Old/New Business

Mr. Hine reported that the wellness program is gaining momentum, and he has received compliments on the program. He mentioned a few popular events such as the Walk with the Mayor and some other 5K events.

Mr. Piechura wondered what would be coming up in the near future for the Board. Mr. Hine responded they would be looking at the policies for Employment Practices and Public Officials (11/1), and Workers' Compensation (10/1). No motions are expected in April, but in May, there will be a motion to approve negotiation for Workers' Compensation insurance, and for the Public Officials EPL. August will be the motion to approve the Workers' Compensation insurance premium quote and the Public Officials EPL premium quote. In September or October, they start discussion on the property policy again.

Mr. Grimsley asked when the City Commission approves the budget, and Mr. Hine answered it is usually at the two meetings in September.

Mr. Hine brought up a question that Mr. Grimsley had asked a few meetings prior regarding the increase in operational costs for the division. Mr. Hine explained that the 2011 figure was an actual amount and the 2012 figure was a budgeted amount – they always budget a little more than what is needed.

Mr. Grimsley wondered if the health expenses associated with employees would decrease in the next cycle as the number of employees decreased. Mr. Cobb said that at the very least it should help offset the escalating cost trend associated with health insurance.

Mr. Florez said he will be taking on more duties at Brown & Brown, and he is asking Paul Dawson, Senior Vice-President at Public Risk Insurance Agency to take over the account. Mr. Florez will still be running Public Risk Insurance Agency as its profit center leader, but in order to make sure they meet staff demands, he will bring in Mr. Dawson, who is “the best of the best.” Mr. Hine mentioned that he has worked with Mr. Dawson for several years and has great confidence in him.

7. Schedule Next Meeting – April 4, 2012

8. Adjourn

Vice Chair Schwartz asked if there was any definitive answer to being able to conference call in to a meeting. Mr. Cobb said the City Attorney had been asked to look into it. The way the ordinances are now written, a member has to be physically present to have a quorum, and telephoning in does not count. Mr. Cobb said it will be brought up at a future Conference Agenda.

Motion by Mr. Grimsley, seconded by Mr. Drake, to adjourn the meeting. Hearing no objection, the meeting was adjourned at 8:36 a.m.