

**INSURANCE ADVISORY BOARD
 100 NORTH ANDREWS AVENUE
 8TH FLOOR CONFERENCE ROOM
 FORT LAUDERDALE, FL 33301
 WEDNESDAY, December 5, 2012 – 8:00 a.m.**

MEMBERS	ATTENDANCE	CUMULATIVE	
		PRESENT	ABSENT
Joseph Cobo, Chair	P	10	1
Mark Schwartz, Vice Chair	P	8	3
Joe Piechura, Sr.	P	9	2
Jim Drake	P	10	1
Charles Grimsley	P	9	2
Steve Botkin	P	9	2
Ted Hess	A	4	2

Staff

Guy Hine, Risk Manager
 Dennis Stone, Employee Benefits Coordinator
 Matthew Cobb, Risk Management Coordinator
 Richard Ewell, Procurement Specialist II
 Lloyd Rhodes, The Rhodes Insurance Group
 Paul Dawson, Public Risk Insurance Agency
 Justin Weltscheff, Starr Technical Risks

Communications to City Commission

None.

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

Chair Cobo called the meeting to order at 8:03 a.m.

As of this date, December 5, 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 November 7, 2012

Motion by Mr. Piechura, seconded by Mr. Grimsley, to approve the minutes of the November 7, 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 advised the Board that staff and our broker/consultant, Paul Dawson, would be presenting options for the property insurance renewal to the Commission at the December 18 conference meeting. Today, Mr. Dawson of Public Risk Insurance Agency (PRIA) would be presenting the not to exceed (NTE) quote to the Board for their approval and recommendation to the Commission at the conference meeting.

Mr. Dawson discussed with the Board that handout that showed the RMS 11 (probable maximum loss calculation) results for the City's current limits of \$75M non-utility and \$75M utility (NTE Option 1) which equates to a 1,000 year return. He also advised that FEMA (Federal Emergency Management Agency) will only pay the amount of loss above what they had previously reimbursed on that structure for past claims.

He continued by describing how the City presently insures some structures under the NFIP (National Flood Insurance Program) but there are some structures which need to be added as they are not currently insured. In addition, the Board should add approximately \$25,000 to any of the NTE quote options due to the recently added Lockhart Stadium structure.

Mr. Dawson then proceeded to describe how under the proposed NTE Option 2 of \$50M / \$50M would equal a 500 year return. He advised how the City's current \$5M named windstorm deductible applies to all the NTE options. He also discussed how PRIA obtained quotes for reducing the named windstorm deductible, which would require the purchase of a separate insurance policy at a cost of approximately \$100,000 to buy down the deductible by \$1M and increases exponentially from there for each additional \$1M. He advised that in his view the \$5M flat deductible is a better position for the City than the standard 5% deductible of total value per location.

Mr. Grimsley stated that the OIR (Office of Insurance Regulation) standard is based upon the 100 year storm which refers to NTE Option 3 of \$50M non-utility and \$25M utility. He said that was his recommendation for purchase and made a motion for same.

Mr. Schwartz asked if we should assume that there is still some room to negotiate and reduce this NTE amount. He also asked if it was possible for the City to obtain agreed value coverage for Lockhart Stadium, Fort Lauderdale Stadium, and the 301 Building.

Motion by Mr. Grimsley, seconded by Mr. Botkin, to approve NTE Option 3 of \$50M non-utility and \$25M utility, with no deductible buy down, and Lockhart Stadium insured at ACV (Actual Cash Value) for a cost not to exceed \$2,263,203. In a voice vote, the motion passed unanimously.

- **Motion to approve reinsurance carrier premium quote**

Mr. Stone provided a brief overview on the evaluation of the reinsurance premium quote and referred to the background detail handout and quote spreadsheet. He advised that the City currently has 13 claims over \$100,000 which makes it an unattractive risk for reinsurance. The evaluation committee along with staff has recommended moving the \$225,000 SIR (Self Insured Retention) to a \$250,000 stop loss limit per subscriber in to achieve a cost savings.

Mr. Rhodes advised that the current carrier, Vista Combined, was offering a quote for an incurred in 12 months and paid in 15 months option for a cost of \$746,880, while Cigna was offering an incurred in 12 months and paid in 36 months option for a cost of \$733,248. The option presented by Cigna was clearly better. He described another positive for Cigna which is there being better data sharing since they are currently the City's Health TPA (Third Party Administrator) and also the City's stop loss reinsurance carrier. In addition, he highlighted that by choosing Cigna the City would be achieving a reduction in premium for the next year at the cost of a slightly higher stop loss limit.

Motion by Mr. Grimsley, seconded by Mr. Piechura, to approve Cigna as the reinsurance carrier with stop loss limits of \$250,000 for a cost not to exceed \$733,248. In a voice vote, the motion passed unanimously.

5. Open Discussion – Old/New Business

- **Discussion on open enrollment for health benefits**

Mr. Piechura asked how the open enrollment for health benefits was proceeding.

Mr. Stone advised that at this time the enrollment seem to be 50 / 50 between participants choosing the HMO (Health Maintenance Organization) and the CDHP (Consumer Driven Health Plan) for coverage. He estimated that 200+ participants might drop coverage and leave the health plan. Staff is seeing many spouses removed from the plan along with retirees dropping coverage. He also advised that 600+ participants had enrolled via the self service system as of yesterday. In addition, staff noticed that lots of optional benefit products are being dropped in order to afford the basic medical coverage after the rate increases.

Mr. Rhodes stated that the City has an advantage in the structure of their health plan with the defined contribution from the City by union group, as this has enabled them to manage the increasing cost of health care.

- **Question on the property insurance policy**

Mr. Schwartz had a follow-up question on the property insurance premium quote and if the sub-limits include wind coverage.

Mr. Dawson advised that yes they do.

Mr. Hine advised that staff would be meeting with Commissioner Dubose prior to the Commission conference meeting so that they could brief him on the property policy options.

- **Question on the meaning of fire and casualty insurance**

Mr. Hine requested that the Board, as insurance area experts, provide an opinion on the insurance meaning of fire and casualty insurance. He advised that this issue involves an old lease contract which requires fire and casualty insurance to be provided on some City owned buildings being leased by the Historical Society.

The Historical Society has interpreted this to mean that their separate windstorm policy is an optional, yet necessary, insurance coverage not required by the lease and as such they have historically asked the City to fund 50% of the costs. It is the opinion of Risk Management staff that fire and casualty insurance refers to all perils property coverage and it makes no difference if they have that coverage provided by a single policy or different perils insured under separate policies.

The Board advised that the historical meaning of fire insurance was always that of all perils property insurance. The 1934 New York State fire insurance policy has been the industry standard in this regard. In addition, there were no separate wind policies until after 1994 in Florida.

The Board and staff wished each other a safe and happy holiday season and New Year.

6. Schedule Next Meeting – February 6, 2013

7. Adjourn

Motion by Mr. Schwartz, seconded by Mr. Piechura, to adjourn the meeting. Hearing no objection, the meeting was adjourned at 8:55 a.m.